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SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, FEBRUARY 28, 1933

No. 1

Reference,—Milk and Milk Products

WITNESSES:

J. F. Singleton, dairy commissioner, Department of Agriculture.

Dr. J. F. Booth, commissioner of economics, Department of Agriculture.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

ORDER OF REFERENCE

THURSDAY, February 23, 1933.

Ordered,—That the Select Standing Committee on Agriculture and Colonization be instructed to ascertain the facts connected with the production, collection, manufacture, distribution and marketing of milk and milk products throughout the Dominion of Canada, with power to examine and inquire into all aspects of the said questions and report their findings to the House.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, February 28, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Boyes, Brown, Carmichael, Cayley, Donnelly, Gobeil, Goulet, Hall, Jones, Loucks, Lucas, McGillis, Mackenzie, Moore, Motherwell, Mullins, Myres, Perley, Pickel, Porteous, Seguin, Senn, Shaver, Simpson, Smith, Sproule, Stirling, Taylor, Thompson, Totzke, Tummon, Weir (*Macdonald*), Wilson, Young.

The clerk read the Order of Reference.

The chairman brought into discussion the question of procedure and the limitations and scope of the enquiry advisable to be adopted.

The expressed sense of the meeting was, that due to the limited time at its disposal it would be advisable to confine the enquiry to the "spread on prices of whole milk."

On motion of Mr. Pickel it was decided to first carry on the investigation with respect to the milk situation in the city and district of Montreal.

On motion of Mr. Wilson a sub-committee was appointed to prepare a slate of witnesses and submit an agenda; the sub-committee to consist of Messrs. Tummon, Cayley, Bertrand, Loucks and Pickel, with power to add to its number.

The chairman was instructed to report to the House for leave to print the day to day proceedings and evidence of the committee.

Mr. J. F. Singleton, dairy commissioner, and Dr. J. F. Booth, commissioner of agricultural economics, Department of Agriculture, addressed the meeting on the subject of the Order of Reference.

The meeting adjourned till Thursday, March second at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FEBRUARY 28, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, Mr. Senn presiding.

The CHAIRMAN: Gentlemen, please come to order. First, I will ask the clerk to read the order of reference.

(The clerk reads the order of reference.)

Gentlemen, I think those of you who are at all familiar with the dairy industry will realize at the outset that we have a very large undertaking on our hands. In fact, it seems to me that there is so much involved in this that with the limited time at our disposal until the close of the session it is going to be very difficult to make a complete inquiry into all the phases of the dairy industry. My own idea, if it will meet with your approval, is that it might be better if we undertook an inquiry into some specific phase of the situation. If we are going to deal with the production, collection, manufacturing, distribution and marketing of milk and milk products it is going to take a considerable time. I might say that the province of Quebec has had a commission investigating this very matter. It began its work in August of 1931 and did not complete it until November, 1932. So that to ask this committee to enter into a thorough investigation of all these matters throughout Canada is something I am afraid we will not be able to complete in our limited time. However, I am just throwing that out as a suggestion to the committee. I might say that I have already received letters from people in different parts of the dominion, and the anxiety which is expressed in all these letters is more in regard to the spread in prices of whole milk than in any other matter. I am going to suggest to the committee that possibly it might be well to confine our investigation to some particular phase such as whole milk. That is one point that we might settle right away, as to the scope of the enquiry and the procedure of this committee.

(Discussion follows.)

The CHAIRMAN: Now, if the committee is ready we will hear Mr. Singleton.

Mr. J. F. SINGLETON, Dominion Dairy Commissioner, called.

Mr. Chairman and gentlemen, I presume, since your terms of reference cover the whole field of dairying in Canada, that your chairman asked me to come this morning to make a general statement regarding the dairy situation, and in particular with reference to the distribution of milk, and with reference to the production of milk and the manufacture of different dairy products, as well as milk distribution.

Reference to the number of cows might in the first place be quite in order. For some years past the number of milch cows in Canada has been decreasing. I don't propose to give you a lot of statistics in this connection, but in 1927 it was reported that the number of milch cows was 3,833,229; in 1931 that had dropped to 3,513,000.

Milk production: The total production of milk has, over a term of years, shown a constant tendency to increase. In the past decade, that is, from 1920 to 1930 the number of milch cows, in milk or in calf in Canada increased by 10·7 per cent. The human population has increased more rapidly than the number of cows. The number of cows per thousand of population was 378 in 1931 as compared with 370 in 1930; a decrease of 2·12 per cent. The average production of milk per cow had increased with the result that, notwithstanding the decrease in the number of cows in proportion to population, the total milk production increased from 1,249 pounds per capita in 1920 to about 1,500 pounds per capita in 1928; an increase of 20 per cent.

Now, there have been certain definite trends in the industry during the past number of years. The first is a definite increase in milk production. Next, there has been an increase in the production of different products as affected by domestic requirements, and by the relative returns to primary producers from the different products. There have been increased domestic consumptive requirements of milk, and of all important milk products, which has had the effect of decreasing the exportable surplus.

Now, I have a table here that shows the total milk production for 1900, 1910, 1920 and 1930; and the disposition of that milk. Between 1900 and 1930 the milk production of Canada more than doubled. For a hundred pounds of milk we produced in 1900, we produced 215 pounds in 1930. The total quantity of milk produced in 1930 was 14,759,000,000 pounds. Now, in 1900, 62 per cent of the total milk production of Canada was consumed in the form of different dairy products; as milk, cream, butter, cheese, ice cream, and so on; and it left 37·4 per cent of the total milk production available for export in the form of dairy products. In 1910 notwithstanding that the production of milk had increased from 6,864,000,000 pounds to 9,806,000,000 the domestic consumptive requirements took 72·9 per cent of the total milk production leaving only 27·1 available for export. In 1920 the domestic requirement took 79·8 per cent of the total milk production leaving 20·2 per cent available for export; and in 1930 (adjusting these figures, take care of the butter imported into Canada) that is, had we not imported any butter in 1930, and had we converted sufficient milk into butter which went out in the from of other products, cheese or condensed or evaporated or dried milk, which went to supply our requirements in 1930, we would have consumed 97·3 per cent of the total milk produced in Canada and would only leave 2·7 per cent available for export in the form of different products. Actually we exported more than 2·7 per cent because we imported a considerable quantity of butter, and that released a greater quantity to other dairy products for export than we would have had released had we not imported butter.

With reference to increased consumption. The consumption of milk products has more than doubled in the last decade. Now, the consumption of milk is undoubtedly off in 1932 as compared with 1931. In 1930 we were consuming 1·18 pints per capita per day and that indicates an increase of more than 100 per cent in ten years. Butter consumption per capita: Butter consumption was 25·79 pounds per annum in 1921 as compared with 30·44 pounds in 1930. Consumption of cheese went up from 2·51 pounds to 3·6 pounds between 1921 and 1930. The increase in the consumption of cheese has, to a great extent, been due to the development of processed cheese and the sale of that product in small packages. The consumption of ice cream has increased from 4·96 pounds per capita to 7·16 pounds in 1930, as compared with that of 1921 in each case.

Now, there has been through all these commodities a general increase in the per capita consumption. We have also had an increase in our population, and that has meant a tremendous increase in the domestic requirements for dairy products. The greatest change in the trend of manufacturing dairy products has been in the manufacture of butter. In 1930 we made about 36,000,000 pounds of butter in Canada, 36,066,739 pounds; in 1931 the manu-

facture of creamery butter amounted to 225,802,635 pounds an increase of 526·07 per cent in the production of butter in that thirty years in this country. It has been generally believed that the great increase in the production of creamery butter has been largely at the expense of the manufacture of butter on the farm, but that is not the case because dairy butter, butter made on the farm, is only about 9,000,000 pounds less in 1930 than what it was in 1900; that is, we have had a decrease in the first thirty years of this century of about 9,000,000 pounds in the manufacture of butter made on the farm, and an increase of about 190,000,000 pounds in the quantity of butter made in the creamery. There has been a considerable increase in the production of ice cream and in the production of condensed, evaporated and dried milk products, which began about 1900, prior to which there was only one plant equipped to manufacture condensed milk, that was at Truro, Nova Scotia; the first to be established in Canada. The second condensery was established at Ingersoll in the year 1900.

As the demand for milk for domestic consumption and for the manufacture of butter increased more rapidly than milk production increased, milk was diverted from the manufacture of cheese, particularly in the provinces of Ontario and Quebec, and these two provinces make about 96 per cent of the cheese produced in Canada. Canadian cheese production is now about one-half of what it was at the peak of production. The greatest annual production of cheese was in the year 1903. Now, there were no government statistics of production at that time, but for the year ending June, 1904, we exported about 243,000,000 pounds of cheese, and we must undoubtedly have consumed sufficient out of that year's make to bring the total make of cheese for the year up to 250,000,000 pounds. Last year (I refer to 1931 figures), it was down to 110,000,000 pounds; and it was slightly more than that last year, probably 118,000,000 to 120,000,000 pounds. The price of cheese has kept up, butter production on the other hand has fallen off in 1932 as compared with 1931 slightly less than 225,000,000 pounds produced in 1931.

Now, had our consumption of milk and cream, butter, concentrated milks and ice cream remained the same as it was in 1920; that is, had we not increased our domestic consumption of dairy products in the past ten years, and had we increased our milk production the way we did, and had that increase all gone into cheese we would have had about 5,000,000 pounds more cheese to export than we did; and had we put it all into butter we would have had about 240,000,000 pounds more butter. So that it has been a fortunate thing for the dairy business generally that the domestic consumption of dairy products in Canada has shown such a decided increase.

Now, the total quantity produced in Canada in 1930, which is the last year for which we have official figures (the official figures for 1931 not yet having been released by the Bureau of Statistics), of the total milk production 9·03 per cent went into factory made cheese; ·037 per cent went into home made cheese, or cheese made on the farm; or a total of 9·075 which went into the manufacture of cheese. Creamery butter took care of 29·4 per cent of the total milk production of Canada; dairy butter 15·3—that is, 44·76 per cent of the total milk produced in Canada in 1930 went into butter, almost half of the milk produced in Canada. Then, other items took small quantities. Ice cream takes only 1·03 per cent of the milk produced in Canada; exported milk ·104 per cent; milk for direct consumption or otherwise used 42·67 per cent.

We have about 44¾ per cent of the total milk product going into butter, 42½ per cent of milk and cream for direct consumption and about 9 per cent into cheese.

The CHAIRMAN: You might hand these tables in to the reporter.

The WITNESS: Yes, sir; I have complete sets. Now, that covers the development of the industry very briefly during the major development in the past thirty years.

By Mr. Bouchard:

Q. Will you tell us if the proportion of fat has increased?—A. The percentage of fat? Yes, it is said there is a slight increase, but such increases are very slow.

By Mr. Porteous:

Q. Have you the comparative consumption per capita of sweet milk produced during that period?—A. These are all sweet milk products.

Q. I mean other than butter and cheese, condensed milk and so forth?—A. I do not follow you.

Q. Have you the comparative consumption per capita, whether or not due to certain regulations and requirements—the consumption of sweet milk products per capita as increased during that period?

The CHAIRMAN: Do you mean in fluid form?

Mr. PORTEOUS: Yes.

The WITNESS: I do not know what you mean by sweet milk products. Define that definitely.

Mr. PORTEOUS: Whole milk and cream.

The WITNESS: Yes. In 1921 the consumption was about one-half pint per capita per day; 1924, three-quarters of a pint per day; 1927, about a pint; 1928, 1·12 pints; 1929, 1·12; 1930, 1·18 pints per capita per day.

By Hon. Mr. Motherwell:

Q. That accounts for the shortage of other dairy products; it is more than doubled?—A. Yes; that and the increase in production of creamery butter.

By the Chairman:

Q. Would that include ice cream?—A. No, sir, the ice cream consumption was 4·96 pints in 1921; 5·20 pints in 1922; 4·96 in 1925; 5·85 in 1927, and 7·16 in 1930.

By Hon. Mr. Motherwell:

Q. How does that consumption per capita in Canada compare with other countries in the British Commonwealth?—A. It would be considerably in excess, although Australia and New Zealand do eat more butter per capita than Canada; but the milk business in New Zealand is not nearly so well organized as it is in Canada, apart from the city of Wellington which has a municipal supply—a dairy owned and operated by the city and a most up-to-date plant.

By the Chairman:

Q. You must make allowance for the milk that is consumed on the farm in that estimate?—A. In the consumption per capita?

Q. Yes.—A. That rate per capita per day is based largely upon the consumption in the principle cities, but is extended to the country; it is assumed that people in the country will consume as much milk per capita as in the city.

By Mr. Perley:

Q. Is that traceable to the prices in the big cities?—A. No, it is due largely to the more general knowledge of the nutritive and dietetic value of milk and milk products. The Department of Agriculture and other agencies such as the National Dairy Council have been instrumental in recent years in getting information to the public regarding the nutritive value of milk and milk products, and there has been a steady increase in the per capita consumption

of practically all commodities until this year. Now, what the final figure will be this year nobody knows, but we do know that there has been a decided decrease in the percentage of butter since September. For the first eight months of this year the consumption of butter kept up well as compared with other years. For the whole calendar year 1931, notwithstanding the depression, we consumed 313,000,000 pounds of butter in Canada. That was the greatest quantity ever consumed in one year in the country. But this falls off about a million pounds per month since September.

Q. Have you any information as to what the consumer in Wellington, New Zealand, pays?—A. I have some information as to costs a year ago when I saw the plant, but notwithstanding that I suppose that only 50 per cent of the milk used in the city is from the municipal plant. Probably 50 per cent of the milk used in Wellington is raw milk from non tuberculin tested cows. There is no compulsory tuberculin test. If milk is not pasteurized in Canada, in most of the municipalities it is required that the milk be from non reacting tuberculin tested cows. That is the case in Ottawa; it is not the case in Wellington.

By Mr. Porteous:

Q. In your opinion would you attribute any of that increase to our more sanitary methods in handling milk?—A. Undoubtedly, that has had an influence. People are getting better milk.

By Mr. Boyes:

Q. In your opinion, in those cities where they have a compulsory pasteurizing by-law is the consumption of milk greater than it would be, say, in the city of Ottawa or Montreal where they have not such a law?—A. Ottawa is possibly one of the greatest milk consuming cities in the country, and pasteurization is not compulsory here, although, probably, 95 or 96 per cent of the milk consumed in Ottawa is pasteurized. Ottawa, between the years 1930 and 1931 increased its per capita consumption of milk in the one year by ·14 pints per day.

The CHAIRMAN: Now, gentlemen, have you finished with Mr. Singleton?

The WITNESS: Mr. Bouchard asked me a question. I think that as this is largely a question of economy that Dr. Booth might better undertake to answer that question.

By Mr. Porteous:

Q. With regard to one question that Mr. Boyes brought up, there are some municipalities where the by-laws requires pasteurized milk?—A. All pasteurized, yes.

Q. Have you any idea what the consumption per capita in those municipalities is as compared to those municipalities which do not require pasteurized milk exclusively?—A. I could not very well attempt to answer that. Toronto, I believe, requires all the milk to be pasteurized. I doubt if Toronto's consumption is as large per capita as that of Ottawa where all the milk is not required to be pasteurized, although, in practice, a great part of it has been pasteurized in Ottawa.

The CHAIRMAN: Gentlemen, the thanks of this committee are due to Mr. Singleton for his fine statement. Now, we have with us this morning Dr. Booth, commissioner of Agricultural Economics. I think he will give you some information which is worth while as to the activities of the department in his particular line of work. Mr. Singleton has promised to give his statement to the reporter.

Mr. Singleton's statement:

Number of Cows and Milk Production

During the past decade the number of cows in milk, or in calf, in Canada increased by 10·7 per cent but the population of Canada during the same time increased by 13·1 per cent. The number of cows per 1,000 of population was 378 in 1921 as compared with 370 in 1930, a decrease of 2·12 per cent. Average milk production per cow increased during the interval with the result that notwithstanding the decrease in the number of cows in proportion to population, total milk production increased from 1,249 pounds per capita in 1920 to about 1,500 pounds per capita in 1928, an increase of 20 per cent. The more rapid development of the industry during recent years is demonstrated by the fact that, while total milk production increased by 11·9 per cent between 1910 and 1920, the increase between 1920 and 1923 amounted to 30 per cent.

A brief sketch of some of the more important developments in the industry during recent years will probably be of interest and will assist in a clearer view of present conditions. These more important developments may be summarized as:—

(*a*) increased milk production;

(*b*) increased production of different products as dictated by domestic requirements and by relative returns to primary producers;

(*c*) increased domestic consumptive requirements of milk and of all important milk products;

(*d*) a consequent decrease in the exportable surplus of dairy products.

The following table (No. 1), shows the total milk production of Canada as reported in the census returns for the years 1900, 1910, 1920 and 1930, and the disposition of the total production, as between the domestic consumption and the exports of different dairy products, expressed in terms of pounds of milk:—

TABLE No. 1

Milk Production and Consumption and Export of Dairy Products Expressed as Pounds of Milk

Year	Production Lbs.	Consumption Lbs.	Per Cent Consumed	Exports Lbs.	Per Cent Exported
1900	6,864,909,400	4,288,119,043	62·4	2,576,790,356	37·6
1910	9,806,741,348	7,159,638,387	72·9	2,647,102,961	27·1
1920	10,976,235,351	8,761,575,744	79·8	2,214,659,607	20·2
1930	14,759,657,000	14,365,547,112	97·3	*394,109,888	*2·7

*Adjusted to allow for day products imported.

Total milk production increased by 115 per cent during the three decades but the increase in the last decade was almost as great as during the first two. Domestic consumptive requirements have so increased that the surplus available for export in the form of different products decreased from 37·6 per cent in 1900 to 2·7 per cent in 1930. Actually more than 2·7 per cent of our total milk production during 1930 was exported in the form of different dairy products, but had we supplied our total domestic requirements and not imported any dairy products, only 2·7 per cent of our total milk production would have been available for export in the form of different dairy products.

Table No. 2 below shows the per capita consumption of milk and some milk products together with the population of Canada during the years 1921 to 1931 inclusive:—

TABLE No. 2

PER CAPITA CONSUMPTION OF DAIRY PRODUCTS IN CANADA

(Yearly except Milk)

Year	Milk Per Day Pints	Butter Lbs.	Cheese Lbs.	Ice Cream Pints	Population
1921	·51	25·79	2·51	4·96	8,788,483
1922	·50	26·14	3·03	5·20	8,909,000
1923	·77	27·57	3·15	4·97	9,028,000
1924	·75	27·21	3·19	4·70	9,151,000
1925	·74	27·36	3·13	4·96	9,269,000
1926	·89	28·44	4·04	5·6	9,390,000
1927	1·0	28·72	3·38	5·85	9,519,000
1928	1·12	28·54	3·57	7·04	9,833,000
1929	1·12	29·26	3·47	6·94	10,027,000
1930	1·18	30·44	3·60	7·16	10,206,000

The increase in domestic consumption of dairy products has been due not only to a more general knowledge of the value of dairy products as foods, but also of their value as aids to health and as preventive of deficiency diseases. The Milk Utilization Service of the Dairy and Cold Storge Branch has been a most important factor in the dissemination of such information and of information concerning methods of using different dairy products.

There has been a considerable increase in the production of creamery butter in all provinces between 1900 and 1931 as is indicated by Table No. 3.

TABLE No. 3

PRODUCTION OF CREAMERY BUTTER

Province	1900 Lbs.	1931 Lbs.	Per Cent Increase
P. E. Island	562,220	2,041,136	263·05
Nova Scotia	334,211	5,867,920	1,655·75
New Brunswick	287,814	2,438,677	747·31
Quebec	24,625,000	69,653,540	182·86
Ontario	7,559,542	77,366,710	923·43
Manitoba	1,557,010	21,078,073	1,253·75
Saskatchewan		18,960,352	
Alberta	745,134	22,957,922	5,525·6
British Columbia	395,808	5,438,305	1,273·97
All Canada	36,066,739	225,802,635	526·07

Contrary to common belief, the increase in the production of creamery butter has not to any great extent, been due to diversion from the manufacture of dairy butter. Production of dairy butter during 1900 amounted to 105,343,076 pounds as compared with 96,500,000 pounds during 1931, a decrease of only 8,843,076 pounds, whereas during the same period, production of creamery butter increased by almost 190,000,000 pounds.

There has also been a considerable increase in production of ice cream, and the production of condensed, evaporated and dried milks, now an important branch of the industry, was practically non-existent at the beginning of the century. Prior to 1900 there was only one small condensery in Canada.

As the demand for milk for the purposes already mentioned increased more rapidly than milk production increased, milk was withdrawn from the manufacture of cheese particularly in Ontario and Quebec, which provinces produce about 96 per cent of the cheese produced in Canada. Canadian cheese production is now less than one-half of what it was at the peak of production which was early in the century, and exports of cheese have decreased not only as a result of decreased production but also as a result of increasing annual per capita consumption by an increasing population.

Had domestic consumption of milk and cream, and the Canadian output of butter, concentrated milks and ice cream remained the same as at 1920, the milk produced in Canada in 1930 would have been sufficient to produce about 240 million pounds more butter or 500 million pounds more cheese than was actually made.

The following table (No. 4), shows the total dairy production of Canada during 1930, the pounds of milk and fat equivalent required for each product and the percentage of the total milk production required for the manufacture of each product:—

TABLE No. 4

TOTAL CANADIAN DAIRY PRODUCTION, 1930

Product	Quantity	Milk Used	Fat Equivalent	Per Cent of Total
	Lb.s	Lbs.	Lbs.	
Cheese, Factory Made	119,105,203	1,333,978,273	46,689,239	9·038
Cheese, Home Made	482,900	5,408,480	189,296	0·037
Creamery Butter	185,751,061	4,348,432,338	152,195,131	29·462
Dairy Butter	96,500,000	2,259,065,000	79,067,275	15·305
Whey Butter	1,397,513	Nil—By Product	Nil	....
Condensed Milk	23,360,455	53,261,837	1,864,164	0·362
Condensed Skimmilk	9,141,840	Nil—By Product	Nil	....
Condensed Buttermilk	777,889	Nil—By Product	Nil	....
Evaporated Milk	57,630,875	127,940,542	4,477,918	0·860
Evaporated Skimmilk	17,923	Nil—By Product	Nil	....
Whole Milk Powder	2,354,222	17,468,327	611,391	0·119
Skimmilk Powder	14,307,056	Nil—By Product	Nil	....
Cream Powder	90,134	1,802,680	63,093	0·013
Buttermilk Powder	687,297	Nil—By Product	Nil	....
Lactose	204,613	Nil—By Product	Nil	....
Condensed Coffee	200,394	444,874	15,570	0·003
Casein	1,095,960	Nil—By Product	Nil	....
Ice Cream (gals.)	9,708,163	152,515,240	5,338,033	1 034
Milk Exported	15,198,865	15,198,865	531,960	0·104
Cream Exported	12,697,210	145,110,971	5,078,884	0·984
Buttermilk Sold	....	Nil—By Product	Nil	....
Sundry (Skimmilk and Whey Sold)	....	Nil—By Product	Nil	....
Milk for direct consumption or otherwise used	6,299,029,573	6,299,029,573	220,466,001	42·679
Total	....	14,759,657,000	516,587,955	100·000

It will be observed that the manufacture of butter (creamery and dairy), accounted for 44·767 per cent of total milk production while demand for milk for direct consumption required 42·679 per cent of the total. These two outlets combined provided markets for more than 87 per cent of the total milk production of Canada during the year 1930.

Production of Butter During 1931-1932

Production of creamery butter during 1931, for reasons which will be referred to later, showed the greatest increase of any year since the manufacture of creamery butter was undertaken in Canada. The increase in production during 1931 as compared with 1930 amounted to more than 40 million pounds or 21·5 per cent. In view of this phenomenal increase in production, it is not surprising that production for 1932 was slightly less than in 1931, particularly if the relationship between the prices of cheese and butter, which will also be referred to later, is taken into consideration.

Information as to total production during the calendar year 1932 is not yet available but for the eleven months ending November, there was a decrease of 9,127,992 pounds equivalent to 4·4 per cent as compared with the corresponding eleven months of 1931.

Dr. J. F. Booth, called.

Witness: Mr. Chairman and gentlemen, I have prepared a short statement of a general nature which I would like to read with the permission of the committee.

The Chairman: Certainly.

Witness: It deals with the spreads in the marketing of farm products, with particular reference to milk and milk products.

A Memorandum on Spreads in the Marketing of Farm Products With Particular Reference to Milk and Milk Products by J. F. Booth, Commissioner, Economics Branch, Dominion Department of Agriculture, Ottawa.

The spread between the retail prices of farm products and the prices received by farmers has been the subject of much discussion and some study. Data obtained by Cornell University representing prices and spreads in New York State may be in interest in this connection. It is probable that they are fairly typical of what one would find of a similar study conducted in Canada.

TABLE 1

Percentage of Retail Prices Received By Farmers

	1910-14	1917	1927
Beef	52	57	42
Pork	51	59	38
Milk	38	48	37
Butter	78	85	79
Hens	56	58	55
Eggs	70	76	64
Wheat Flour	52	59	44
Wheat Bread	23*	36	21
Corn-meal	39	43	27
Potatoes	60	74	58
Weighted Average	51	59	45

*1913-14.

Ref., Journal of Farm Economics, January, 1928, Cornell University, N.Y.

Farmers received 45 per cent of the retail prices of farm products in New York State in 1927. The extreme range was from 21 per cent in the case of wheat bread to 79 per cent in the case of butter. For milk farmers received 37 per cent of the retail price. Between 1914 and 1927 there was a decline of 6 per cent in percentage returned to producers. During 1917 when prices were on the uptrend farmers received a larger percentage of the consumers' dollar than during periods of stable prices for the reason that distribution costs lag behind the movement of prices. It is probable that farmers now receive a smaller percentage than 1927 for the same reason.

This increase in cost of marketing is more strikingly shown in the comparison of spreads prevailing in the marketing of milk in Montreal as revealed in the report recently presented by the Quebec Provincial Dairy Commission. The average spread between the quoted retail price and reported prices to producers during the five years 1910-14 inclusive was 3·55 cents per quart compared with 5·86 cents for the years 1926-30 and 6·45 cents for 1931.

The results indicated by these and other studies of similar nature suggest the growing importance of the marketing problem and the need for more information on the nature and cost of services performed by marketing agencies. Departments and Colleges of Agriculture through Divisions of Agricultural Economics and Marketing have recognized the importance of this comparatively new field of service and are endeavouring to deal with the situation. The Agricultural Economics Branch of the Dominion Department of Agriculture has made a small start in this direction.

Milk Marketing

In August, 1931, the Economics Branch in co-operation with the Nova Scotia Department of Agriculture and St. Francois Xavier University, undertook a small milk marketing project in the Sydney-Glace Bay area of Cape Breton. This study, though not projected as a cost analysis, dealt with many important angles of the milk marketing problem in a group of small urban centres.

In connection with this study prices for other Canadian cities were obtained. These are submitted in an appendix to the report. A table based upon these data is given herewith. This table represents prices submitted to us in reply to a questionnaire sent to the medical health officer in each city. In this connection it should be observed that in almost every city there are several retail prices and frequently as many prices to producers. In most cities, however, there is a commonly prevailing price to consumers and a contract or basic price paid producers. It is these prices that are given in this comparison.

In one instance the spread exceeded 7 cents per quart, in the case of 15 out of the 32 cities it was between 6 and 7 cents. In 14 cities it was between 5 and 6 cents, and in 2 cities less than 5 cents.

By Mr. Porteous:

Q. How does that compare with the population of cities; are there larger spreads?—A. The largest spread of all is in a city of about 60,000 people. Perhaps if I read some it will give you an idea: Victoria 6·63, Calgary 5·25, Saskatoon 5·80, Moose Jaw 5·85, Brandon 5·88, Winnipeg 6·50, Fort William 6·00.

Q. The population generally does not seem to have any effect upon the spread?—A. For Toronto the spread is 6·38 as reported to us. Montreal is not included in the list, but we have it from the commission as 6·45 in 1931.

By Mr. Jones:

Q. Have you Saint John?—A. Saint John is 7·5.

Q. What about Halifax?—A. We have not included Halifax for the reason that four or five prices were submitted to us that prevailed at different times in a different position and we could not strike an average that we thought was fair.

By Mr. Donnelly:

Q. What about Ottawa?—A. Ottawa, 5·83.

By Mr. Porteous:

Q. And London?—A. 5·75.

Q. There are only two under five cents?—A. Yes, that is right.

Q. What were those two?—A. Shawinigan Falls and Three Rivers.

Mr. CAYLEY: That is the price per quart.

The WITNESS: Yes.

Mr. BOUCHARD: What is the percentage between what the consumer pays and the farmer gets?

WITNESS: Roughly it appears to be around 40 per cent. The producer appears to get roughly around 40 per cent of what the consumer pays. That is a very rough appraisal as I look over the list.

It is only fair to observe that the actual spread or margin obtained by distributors may be less than that obtained by comparisons based only upon retail prices. Some milk is sold at wholesale prices and some at surplus prices. On the other hand, some milk is purchased at prices below established or contract prices. The actual spread found to prevail in Montreal in 1931 was 5·67 cents per quart compared with 6·45 cents found by comparing quoted retail prices and reported prices to producers.

CONSIDER POLICY

In December, 1931, the Honourable Mr. Weir, Federal Minister of Agriculture, asked three members of the staff of his department to meet and to consider what recommendations they might make concerning what should be the policy of the department with reference to the dairying industry of Canada. This committee met several times during January and February, 1932, and during the latter month reported to the Minister.

Among other recommendations was one that, in view of the fact that there was little recent authentic information as to cost of manufacturing dairy products, the Agricultural Economics Branch of the Federal Department of Agriculture should, as soon as possible, undertake a survey of costs of manufacturing cheese and butter in the different provinces and later on a survey of the costs of distribution of milk in cities.

Owing to the press of work in connection with the Imperial Economic Conference, the recommendation was not immediately acted upon. The matter was referred to the Conference of Federal and Provincial Ministers, Deputy Ministers and Heads of Branches and Deans of Colleges, held in Toronto the last days of August and the first day of September, 1932, and a resolution recommending that research in connection with the cost of manufacturing and marketing dairy products be undertaken by the Federal Agricultural Economics Branch in conjunction with the officials of the different Provincial Departments was passed unanimously.

A month later officers of the Provincial Departments of Agriculture of Quebec and Ontario and of the Federal Department of Agriculture met at Ottawa to consider details of a survey of cheese factories in the Provinces of Ontario and Quebec. Arrangements were completed and the work of collecting the information was undertaken by officers of the three Departments of Agriculture and of the Ontario Agricultural College at Guelph.

A total of 250 cheese factories were included in the project.

These factories were visited personally by members of the staff of the different departments and a statement of their cost of production and other details concerning business administration and such like was obtained.

In addition to an analysis of costs it is expected that the study will provide valuable information on management problems, sales policies, methods of financing, cost of hauling milk, returns to cheese makers and so forth. A small staff representing the co-operating departments is now engaged in tabulating and interpreting the data. A preliminary statement on the results of this study will be available in the near future.

Creamery Operations

In the meantime some thought has been given to the creamery situation. A request has been received from the New Brunswick Department of Agriculture for assistance in connection with a study of creamery operations in that province. Arrangements have been completed whereby the Dominion Department represented by the Dairy and Economics Branches will co-operate with the Provincial Dairy Superintendent in a project which is to be started next week.

The scope of this undertaking will not be determined until a preliminary survey of the situation has been made but it is expected that costs of manufacturing butter will be the most important matter considered. The experience gained in the conduct of the project should be of considerable value in connection with more extensive studies that may follow.

Milk.—Spread Between The Prevailing or Common Retail Delivered Price and Contract Prices to Producers for August, 1932.
(Prices starred are paid at the farm or f.o.b. country shipping point, otherwise quotations are f.o.b. city).

City	Retail Price	Price to Producers	Spread
	cents per qt.	cents per qt.	cents per qt.
Victoria[1]	11	4·37	6·63
Calgary	9	3·75	5·25
Edmonton	9	3·62	5·38
Saskatoon	10	4·20	5·80
Moose Jaw	10	4·15	5·85
Regina	10	3·97	6·03
Brandon	9	3·12	5·88
Winnipeg[1]	9	2·50	6·50
Fort William	11	5·00	6·00
Port Arthur	11	5·25	5·75
Sault St. Marie	10	*3·62	6·38
Windsor	10	3·44	6·56
Sarnia	9	3·23	5·75
London	9	*5·25	5·75
Stratford	8	2·87	5·13
Kitchener	9	3·50	5·50
Guelph	10	3·75	6·25
Brantford	9	3·50	5·50
Hamilton	10	*3·92	6·08
Toronto	10	3·62	6·38
St. Catharines	10	4·00	6·00
Peterborough	9	2·69	6·31
North Bay	10	3·75	6·25
Oshawa	10	*3·62	6·38
Niagara Falls[1]	10	3·95	6·05
Kingston	8	3·00	5·00
Ottawa	8	*2·37	5·63
Lachine	10	4·12	5·88
Shawinigan Falls	6·5	3·00	3·50
Trois Rivieres	7	3·00	4·00
Saint John	12	*4·50	7·50
Moncton	10	*3·12	6·88

[1]Prevailing prices given for these cities represent the average of several quotations.

That is the extent of the statement I have to make on this subject.

By Mr. Bouchard:

Q. Would you give us your views and suggestions as to how you would conduct this investigation by a committee?—A. Well, Mr. Bouchard, I haven't had enough experience in connection with committee work to suggest how this committee should proceed but—

Q. If you were proceeding yourself with this investigation, how would you arrange matters?—A. If the Department of Agriculture were undertaking this project it would have to be on a voluntary, co-operative basis between the department and the agencies engaged in the distribution. We would select a representative number of firms and agencies handling milk in one or more centres and attempt to obtain their co-operation in providing us with the necessary information that would disclose the conditions of marketing there. I may say that one of the problems that has impressed me is this, that the milk marketing problem is not one problem. If you examine the data I have presented in this table as to the prices prevailing in different cities you will realize, I think, that there are as many milk marketing problems as there are cities in Canada; and on that account I think the question of getting representative data will be rather difficult—the data that you may obtain will disclose the spread, but whether or not it will answer the question whether that spread is a fair and just spread in any particular market is another matter.

By Mr. Carmichael:

Q. In giving us that spread in the various centres, in taking into consideration the retail price, did you consider the difference in the retail price to the private individual and the restaurants, hotels and such like?—A. No, we did not. We asked the medical health officer to give us the prevailing or most common price charged for milk delivered to the door of the consumer.

Q. Now, there is a variation, I understand. I have been told in this city, for instance, that the price at the door of the consumer is ten cents a quart while the price to the hotels, restaurants, hospitals, and such other institutions is eight cents?—A. I think I referred to that in connection with the data, stating that one would need to consider the wholesale price, or the price to larger users—bulk price, perhaps, is a better term—in interpretating these data. That tends to reduce the spread.

By Hon. Mr. Motherwell:

Q. You may have looked into the costs of one concern delivering milk on a given street and there may be six or seven concerns passing backward and forward performing the same service. Would not the one concern distribute much more cheaply?—A. We have not looked into that situation, Mr. Motherwell, beyond the fact that in our study of the situation in Sydney, Nova Scotia, last year we discovered as many as fifteen distributors driving over the same route.

Q. That must immensely increase the cost?—A. I believe that attempts have been made in some cities in the United States in particular to overcome that difficulty by zoning the territory among different firms, but that the housewives have objected to the arrangement and prefer to do business with certain distributors.

By Mr. Porteous:

Q. That attempt has been made through mutual agreement by the distributors. I think the attempt was made in the city of Rochester to do that, by mutual agreement among the distributors themselves?—A. I think that is as far as it has gone to my knowledge. I think the same thing was tried in Washington.

By Hon. Mr. Motherwell:

Q. Of course, as a rule customers like to pick out their own distributors?—A. Yes, that is so.

By Mr. Porteous:

Q. Doctor, you stated that the producer received about 40 per cent of the consumer's dollar in recent years. Have you any figures as to what the comparison would be, say, in 1910?—A. Are you speaking now of the price of milk, or of products in general?

Q. Milk?—A. I have only those figures I gave you for New York state. They indicate that in a five year average, from 1910 to 1914, the farmer received 38 per cent of the retail price of milk. In 1917 the percentage had increased to 48 per cent. With rising prices a larger percentage goes back to the producer. In 1927 that had declined to 37 per cent, and I believe it is lower now.

Q. You have not figures relating to Canadian cities?—A. No, I have not.

By Mr. Boyes:

Q. Doctor, in your opinion, what better arrangement can we have so far as getting evidence in connection with this spread is concerned? You have, in the evidence you have given us— —A. Of course, you cannot go into the matter in great detail by a questionnaire sent to city officials. We have only attempted to get a very rough picture of the situation. I would think that your investigation would be a very much more detailed one and more accurate than it is possible to get in this way. Mr. Singleton has asked me to read this extract.

EXTRACT FROM REPORT OF THE MILK COMMITTEE, APPOINTED BY THE FOOD CONTROLLER FOR CANADA, 1917

That, while the producer receives for his milk delivered at the city dairy an average price of from six to eight cents per quart, the retail consumer is paying from ten to thirteen cents per quart. This difference, commonly called the distributor's "spread", varies, according to the evidence submitted, from 2·75 cents to 6·50 cents per quart, depending upon varied local conditions throughout the Dominion.

That this excessive "spread" or difference, between the producers' price and the consumers' price, is caused chiefly by the excessive number of distributors and that it varies in about the same ratio as the number of distributors.

In Ottawa, where one dairy handles about 75 per cent of the milk, the "spread" is only 3·25 cents per quart; while in Toronto, where there are about ninety distributors, it is 5·25 cents; and in Vancouver, with eighteen dairies, it amounts to 6·25 cents per quart. In some cases fifteen to twenty dairies deliver milk on one street. The effects of this unnecessary duplication are:—

(*a*) Excessive capital employed.
(*b*) Excessive dairy costs.
(*c*) Overlapping in delivery.
(*d*) Excessive loss in bottles.
(*e*) Diversion of great numbers of men and horses from productive employment.
(*f*) Excessive cost of milk to consumers.
(*g*) Reduced consumption of milk and consequent endangering of child health and life.

The CHAIRMAN: Now, gentlemen, I think the thanks of the committee is due Dr. Booth.

Mr. Singleton has just shown me an interesting compilation of figures, right up to date in every particular. I do not know whether it takes into account all the factors that have been mentioned as to cost of milk and so on, but I think it would be worth while for Mr. Singleton to give that to the committee because it is compiled as recently as February 17th of this year.

Mr. SINGLETON: On the 16th of February I wired to the officers of the dairy branch in the different parts of Canada asking them to give me the price per hundred pounds of milk to the producer for milk delivered at the distributing plant, and the price to the consumer for quarts of bottled milk. I submit this statement for your information:—

"AS AT FEBRUARY 17—1933

Location	Average Price paid per Quart to Producers	Average Price paid per Quart by Consumers	Spread per Quart	% of Retail Price Received by Producer
	c.	c.	c.	%
Charlottetown, P.E.I.	3·6	8	4·4	45·00
Halifax, N.S.	5·5	11	5·5	50·00
Quebec, P.Q.	4·0	8	4·0	50·00
Montreal, Que.	3·5	9	5·5	38·89
Ottawa, Ont.	3·6*	10	6·4	36·00
Toronto, Ont.	3·7**	10	6·3	37·00
Winnipeg, Man.	4·0	9	5·0	44·44
Regina, Sask.	4·0	10	6·0	40·00
Saskatoon, Sask.	4·1	10	5·9	41·00
Edmonton, Alta.	4·5	10	5·5	45·00
Calgary, Alta.	3·8	9	5·2	42·22
Vancouver, B.C.	3·3	8	4·7	41·25
Average	3·97	9·33	5·36	42·57

NOTES: The prices as quoted as received by the producers are generally for milk delivered to the distributor's plant.

Any surplus which the distributor may have to manufacture into butter or cheese and thus market at a lower price than that paid by the consumers for bottled milk, is not taken into consideration.

Ontario prices to producers are on a basis of milk testing 3·4% with a differential of 4 cents per 100 lbs. for each 1/10 per cent plus or minus.

*Price at farm. Dairy collects 6 days per week. Farmer delivers one day per week.

**Cost of delivery 20 cents to 30 cents per can depending on distance."

I think that that should not go into the records without being labelled by something to the effect that it is based on the price of milk for manufacturing purposes and not for the consumer, the price of milk to the producer being on a butter fat basis; if it were going directly into distribution it would have to be pasteurized or processed. Many changes have taken place since 1917 in Ottawa. At that time the grocers and the retail stores in Ottawa were handling milk for nothing, simply as a convenience for their customers. They paid for it exactly what they got for it. To-day they are getting milk at 8 cents at the store and are selling it upon the same basis as from the wagons; the distributor is getting 2 cents per quart less to-day than was the case some years ago, for that part of the milk that goes out to the retail stores.

The CHAIRMAN: Mr. Singleton states that he will send me a copy of the Sir Robert Grigg report, that is the English report, and we will consider later whether it will be included in our minutes of evidence.

Mr. BOUCHARD: Mr. Chairman, if you will pardon me for my insistence, but I think we should have an agenda; we should see our way very clearly for the future as our time is rather limited. May I suggest that the sub-committee charged with arranging for the appearance of witnesses be asked to supply us with an outline of the witnesses they propose to call and the evidence which will be produced.

The CHAIRMAN: I think that will be satisfactory to the sub-committee.

Mr. TUMMON: Mr. Chairman, I do not want to be bound too much by an agenda, I do not know how far we can go in settling out our program for many days ahead. May I add, in regard to this investigation that we start first of all with the producer. Thursday next, if the committee agrees with me, we should have the producers here with their contracts and lay the foundation of our investigation there. Then, I think, we must go to the transportation companies and have them here, and the evidence given in regard to them. My idea would be to follow one step right after the other until we get to the consumer's table.

Mr. PORTEOUS: I think, Mr. Chairman, it is essential that we should have evidence with regard to by-laws, and any restrictions imposed by health authorities in connection with the distribution of milk. It might be well to have evidence in that regard right away.

The CHAIRMAN: I think, gentlemen, you can safely leave that in the hands of the sub-committee.

The Committee adjourned to meet Thursday, March 2, 1933, at 10.30 o'clock a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 2, 1933

No. 2

Reference,—Milk and Milk Products

WITNESSES:

P. D. McArthur, Pres., Montreal Milk Producers Co-Op. Association.

W. W. Moore, Sec'y., Montreal Milk Producers Co-Op. Association.

G. McMillan, Huntingdon, Que.; J. L. Beauregard, Sutton, Que.

Appendix "A"—List of Documents Filed, not printed.
Appendix "B"—Documents Filed and printed.

OTTAWA
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1933

ORDER OF REFERENCE

THURSDAY, February 23, 1933.

Ordered,—That the Select Standing Committee on Agriculture and Colonization be instructed to ascertain the facts connected with the production, collection, manufacture, distribution and marketing of milk and milk products throughout the Dominion of Canada, with power to examine and inquire into all aspects of the said questions and report their findings to the House.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, March 2, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bowman, Bouchard, Bowen, Brown, Burns, Carmichael, Cayley, Coote, Davies, Donnelly, Dubuc, Fafard, Gobeil, Hall, Hay, Jones, Lucas, McGillis, McKenzie, McPhee, Moore, Motherwell, Mullins, Perley, Pickel, Porteous, Rowe, Senn, Shaver, Simpson, Spotton, Stewart, Stirling, Taylor, Thompson, Tummon, Weese, Weir, Wilson.

Mr. Tummon, for the Sub-Committee reported the names of the witnesses summoned for to-day's meeting.

The Sub-Committee also recommended that evidence in the order named be taken in respect to the following divisions of the investigation, namely:—

1. Producer.
2. Transportation.
3. Hygiene and Regulations.
4. Distributors.

The said Report was concurred in.

On motion by Mr. Wilson the chairman was instructed to report to the House recommending that leave be granted to sit while the House is sitting.

P. D. McArthur, Howick, Que., President of the Montreal Milk Producers Co-operative Association, and W. W. Moore, Secretary, appeared and gave evidence under oath.

Gilbert McMillan, Huntingdon, Que., and J. L. Beauregard, Sutton, Que., appeared and gave evidence under oath, largely with respect to the cost of milk production.

The meeting adjourned at 1.30 p.m., to meet at the call of the chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,
March 2, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The Chairman: Gentlemen, if you will come to order we shall commence as promptly as possible. We have witnesses here this morning summoned on the authority of the sub-committee. I think it might be wise for the committee to ask the House for power to sit while the house is sitting. We may not need to use it, but if we have that power we will be able to use it if it should be necessary. I think the next thing we should do is to have a report from the sub-committee on witnesses.

Mr. Tummon: Mr. Chairman and gentlemen, the sub-committee beg leave to report that in the matter of securing evidence, perhaps with the approval of the committee the following order should be followed: First, the producer; second, the transportation from the producer to the city; third, hygiene and regulations affecting the governing and distribution of milk in the city; fourth, distributors.

In compliance with the above agenda, the following have been asked to appear as witnesses to-day: P. D. McArthur of Howick, Quebec, producer, President of the Milk Producers' Association of the district of Montreal; Gilbert McMillan, Huntingdon, Quebec, producer, Vice-President of the Milk Producers' Association of the district of Montreal; J. L. Beauregard, Sutton, Quebec, producer; W. W. Moore, Montreal, secretary of the Milk Producers' Association. I think all of these gentlemen are available and are present this morning.

With regard to the Witnesses who will appear before this committee, the proper procedure is to submit the names of those the sub-committee recommended and have the sanction of this committee before they are called. I think you will realize in quite a few cases that that is impracticable. Now, in regard to transportation which is the second item on the agenda, the clerk of the committee addressed a letter to the chiefs of the railway companies. The letter is as follows:—

February 28, 1933.

General Manager,
Freight Traffic Dept.,
Canadian National Railways,
Montreal, Que.

Dear Sir,—The House of Commons committee on Agriculture is presently making an enquiry into the milk industry throughout Canada. A feature of the enquiry that will shortly be investigated is the quantity of whole milk moved by the railways and the freight rates thereon. I am instructed that your company will be called before the committee at an early date to give the figures above indicated and evidence generally as to the movement of this commodity. It may be that you will be questioned as to the profit, if any, accruing from such freight.

I am bringing this to your attention so that you may prepare the necessary data in anticipation of being summoned before the committee and probably on short notice.

Yours truly,

Clerk of Agriculture Committee.

The CHAIRMAN: Gentlemen, you have heard the report. Shall it be adopted. Carried. Is there any other matter of business that you wish to bring up before we proceed with the work of the morning. I may say that I think it would be wise when witnesses are called to allow each witness to make his statement without questions, and then at the close of the statement members of the committee will, of course, have the privilege of questioning the witnesses as much as they see fit. That, I believe, will facilitate matters. I will also ask the members of the committee to rise to their feet and remain on their feet while they are questioning witnesses. I understand that these gentlemen who will appear before us this morning have arranged among themselves as to what phases of the question each will deal with. Mr. McArthur, the president of the Producers' Association of the district of Montreal, will first address the meeting.

Mr. TUMMON: A question we should deal with is whether we are going to take evidence under oath or not.

The CHAIRMAN: Oh, yes; it is very necessary.

PETER D. MCARTHUR, called and sworn.

Mr. PICKEL: You are a producer yourself, Mr. McArthur, are you?

WITNESS: Yes. Mr. Chairman and gentlemen, I assure you that it is with pleasure that we appear before you to give you a true picture in as far as it affects the producers, and I want to commend you on the move you have taken in order to try to get at the facts, because we as producers to-day are in a position we have never found ourselves in before. I might read over—it might be of interest to know the districts embraced in this Montreal Milk Producers' Association. These are the points where we have branches of the parent organization.

Abbotsford	Howick	Richmond
Foster	Ormstown	Ste. Scholastique
Lennoxville	St. Hermas	Cowansville
St. Blaise	Vaudreuil	Lachute
Ste. Martine	Cabane Ronde	Rougemont
Brigham	Huntingdon	Ste. Therese

and in Ontario:—

Bainsville	Grenville County	Vankleek Hill
Glen Gordon	Maxville	Winchester
Lancaster	Moose Creek	

You will see that we are interprovincial in a sense—that is that the zone from which the milk is shipped to Montreal goes up into a portion of Ontario. The Montreal Milk Producers' Association is an organization embracing some two thousand members. That is, they represent—speak for two-thirds of the milk supply of Montreal. Needless to say this milk supply, this two-thirds is coming from the better class of the milk producers. The object of the association primarily we should say is to arrange a price for the producer with the distributor. We meet from time to time as the primary association to arrange and agree on a price for certain periods. In the past it used to be two price fixing periods, summer and winter. Conditions have forced us to vary this as we have no assurance of what will be lying in the future, particularly in the last three years. That is one phase of our work. The other is that we stand for a good product; because, after all, we cannot sell a poor product, nor do we recognize a poor product. We stand for giving the consumer the best article

possible within our means. Now, this brings regulations into force. Now, we are not averse to regulations, and we have to submit to an inspection from the city of Montreal. They come out and from time to time inspect our premises, and these regulations are changed from time to time. I am not going to say whether it is right or wrong. Sometimes we feel they are too stringent. For instance, this last year I know of different producers who because of the distance of their milk room from their stable were forced to build a new milk room for twelve inches, one foot. We consider that is a hardship. And the regulations call that when once your milk is drawn you must immediately convey it to the milk room and have it strained and cooled. That part is all right.

By the Chairman:

Q. Will you state who makes these regulations?—A. The city of Montreal.

Q. The Board of Health?—A. Yes, the Board of Health. We have no say whatever as producers.

Q. Have you a copy of those regulations that you could file?—A. We can get you a copy of those regulations. I spoke a moment ago of the bargaining powers. Now, that is a position that is really hard to handle. We are a bargaining association without power. By that I mean that no matter what is the price agreed upon by the distributors and the producers, there enters into that, since the last three years, a question of surpluses. Now, I understand that this is not peculiar to the city of Montreal alone but it prevails through different cities; but so far as it affects Montreal it means that in the final returns for our milk we have to submit to a surplus which, after all, is the governing factor in determining the price that we eventually receive for our product. I have here some figures I will give to you along that line afterwards which bears that out. The conditions after all that we are concerned about now are present day conditions. I need not tell you that during the winter—at least from last fifteenth of April on—we received \$1.35 per hundredweight for milk until the first of December at the railway station in Montreal.

By Mr. Porteous:

Q. What percentage of milk?—A. 3·5. With three cents per point up and down. There is one company paying four cents. The control of this surplus is something that we have endeavoured to work out as an association. Three years ago we appointed through our board a surplus milk committee to explore the whole situation and bring in a report. Now, we find in the report that prior to three years ago, or four—between three and four—there was no question of surplus, but there was actually a surplus of 10 per cent being carried by the companies in order to protect themselves against any eventuality. That was paid for at the full price. There was no question of surplus or any deductions for surplus, but so far as we know they carried all that surplus. The 10 per cent which the dealers carry in order to protect themselves along with the milk surplus we have been faced with lately. Of course, we know there are factors that bring about this surplus. I am not going to touch on some of these. I am going to leave to Mr. McMillan the question of milk being shipped to factories, cheese and butter factories, but what creates the surplus is the price first. We know that the uninitiated, looking at the price that we receive in the city of Montreal, do not, after all, deduct this freight charge. He sees what the price is as arranged by us as a producers organization and distributor and he is attracted in comparing that with what he receives at the factory where there are no express charges. He wants to get in on this market. He lists his name with the distributors, and they feel that this is a potential surplus, something they can draw on any time. Some of that milk gets into the city. I am not laying any blame. We are not trying to lay any blame with the distributor,

any more than to say that he is approaching us in our price fixing meetings holds this over our heads, as "we have so many applications on our waiting list to ship milk to us at the present time, a potential surplus." There is another aspect, and that is that to-day we are faced with trucking. Now, you know what that means. A party can buy a truck, get his load and deliver milk to the companies in the city of Montreal. There come times in the year when this supply comes down, it dwindles. Now, he is not going to run that truck with a half load if he can possibly avoid it. The result is that he goes out into the by-ways, the back concessions, and he brings in milk. This is being done at the present time. He fills that load, and instead of us getting any relief from the diminishing supply it is kept up by the trucks. Of course, I need not tell you that it is being sold, because he is not going to draw that into the city and dump it; it is being sold to some of these companies. In order to overcome in a measure this question of surplus, we suggested last fall that we be given a quota; that is, that we be given a quantity of milk, a daily supply of milk to those distributors that we could keep off the market or not just as we felt disposed. There are some who claim that they have not the means of taking care of this extra milk or taking it to a separate factory. We asked that they give us a quota, and we can do the judging ourselves or accept our surplus if we overstep our quota. We felt that in many cases the producer would take care of this surplus and keep it at home. This was not favourably received for various reasons. I will give you one. It is that the dealer said it was all very well for us "to give you a quota; you might live up to it, but what assurance have we that the other fellow will; he may ship in a milk surplus, and you would have to take your cut. If you increase our surplus beyond a certain point, we would have to cut you on your quota, because there is no use of our receiving milk that we cannot sell." That is sound. Coming back to this last fall, we carried along at that price, $1.35, until the month of November when milk shortened up, the supply became scarcer. We had a meeting with the distributor and were given an increase to $1.60 per 100 pounds with a corresponding increase in the city. Now, this is another point, that when prices increase in the city we can get the increase, and when it reduces to the consumer it has been passed back to the producer in every case, excepting what transpired this week. I need not tell you about this late news, it has been in this week's Montreal papers—the first time where the distributor has taken up the slack. He has not passed it back to us, nor have we had any intimation to-day that he wishes to do so.

Referring again to the article that appeared in the paper, it would lead us to believe that for the time being at least we are not to be disturbed—the price is to continue at $1.35. Now, that price was disrupted at the end of January. No sooner did we get the price fixed at $1.60 for December than our surplus started to increase. I will show you that from this evidence I have. In January it became so heavy that they asked us to meet them and discuss the question with the result that milk was reduced the first day of February to $1.35 per 100 pounds. Now, in my experience, I have never known milk to be at that price in the winter before. I remember between thirty and thirty-two years ago when we were selling for 14 cents per gallon; it was on a basis of the gallon at that time; but what the family had to buy was at a much lower value, and it was actually worth a great deal more to us than $1.35 per 100 pounds as we have it to-day. In as far as the milk question goes, you will find that in the distribution costs—I am going to leave this to Mr. Moore; I am just opening it up—the price of distribution is charged up pretty much to milk. I mean whole milk and cream for which we used to receive a price as sweet cream for table purposes in the past. That condition is entirely changed. The cream is sold to-day on a butter fat basis, following slowly the price of butter up and down. Now, that condition is not healthy for the producer. That condition is to the

benefit of the distributor. There is no doubt about that. With regard to by products of the milk, you see to-day that we have the buttermilk, something that we never saw listed before. Pick up these letterheads of all these big companies to-day and you will find buttermilk listed as one of their products for sale. The farmer gets nothing for buttermilk—not a thing, it is a by product. We have lost the cream trade as we knew it back thirty years ago and less. It has resolved itself into purely a price following the price of butter. The charge for delivery of cream does not appear as against cream; that is taken up in the distribution of milk and charged up to milk. Of course, there are reasons for that. The milk must be distributed every day, and cream possibly three, four or five times a week as the case may be. Our standards are altogether changed. I am not going to say that we stand for that. We want to put out a good product, and so long as these changes are made within reason we welcome them; but there are cases, particularly now when we cannot get enough for our milk to conduct our farms as we should—we cannot farm as I know we should because we are not getting the returns—when it is difficult. I am leaving these facts with you. That is the picture so far as it affects the producer. We hope for some release, but the relief must come soon. We cannot continue as farmers to produce milk at less than cost, because the dollar is not worth what it was thirty years ago when we invested.

Now, I have here some comparative figures. We have taken -I am sorry to say I cannot show you the picture as bad as it really is because we cannot get statements from some of the smaller dealers. Here are some of the reputable dealers. We have here January. I am now speaking of 1932. In January the price agreed upon was $1.70 per hundredweight. That is at Montreal. I brought this down to a unit. I will give it to you at the last.

MEMO No. 1.—SHOWING SURPLUS AND NET PRICE TO SHIPPER BY A DAIRY COMPANY, MONTREAL, IN 1931 AND 1932

—	Association price for 3·5 milk per 100 lbs. delivered at Ry. Stations, Montreal	Surplus	Deduction for surplus	Net to Shipper per 100 lbs. delivered at Ry. Stations, Montreal
	$ cts.	per cent	c.	$ cts.
1931—				
January	2 40	16	13	2 27
February	2 40	15	11	2 29
March	2 03	28	17	1 86
April	2 03	40	39	1 64
May	2 03	42	38	1 65
June	1 70	50	27	1 43
July	1 70	45	21	1 49
August	1 70	39	18	1 52
September	1 70	22	08	1 62
October	1 70	22	06	1 64
November	1 70	14	04	1 66
December	1 70	23	08	1 62
1932—				
January	1 70	22	10	1 60
February	1 70	19	05	1 65
March	1 70	21	08	1 62
April 1 to 15	1 70	23	15	1 55
April 16 to 31	1 35	15	05	1 30
May	1 35	25	09	1 26
June	1 35	43	15	1 20
July	1 35	43	16	1 19
August	1 35	27	09	1 26
September	1 35	30	07	1 28
October	1 35	25	06	1 29
November	1 35	08	01	1 34
December	1 60	23	10	1 50
1933—				
January	1 60	29	13	1 47

MEMO No. 2.—SHOWING ASSOCIATION PRICE AND NET PRICE PAID, BY A DAIRY COMPANY, MONTREAL, IN 1931 AND 1932

—	Association price for 3·5 milk per 100 lbs. delivered at Ry. Stations, Montreal	Surplus	Deduction for surplus	Net to Shipper per 100 lbs. delivered at Ry. Stations, Montreal
	$ cts.	per cent	c.	$ cts.
1930—				
December	2 40	....	08	2 32
1931—				
January	2 40	....	09	2 31
February	2 40	....	14	2 26
March	2 03	....	13	1 90
April	2 03	....	16	1 87
May	2 03	....	25	1 78
June	1 70	....	25	1 45
July	1 70	....	17	1 53
August	1 70	....	16	1 54
September	1 70	....	09	1 61
October	1 70	....	05	1 65
November	1 70	....	05	1 65
December	1 70	....	07	1 63
1932—				
January	1 70	....	16	1 54
February	1 70	....	15	1 55
March	1 70	....	15	1 55
April 1 to 15	1 70	....	....	1 39
April 16 to 30	1 35			
May	1 35	....	12	1 23
June	1 35	....	10½	1 24½
July	1 35	....	11	1 24
August	1 35	....	07	1 28
September	1 35	....	06	1 29
October	1 35	....	02	1 33
November	1 35	....	....	*1 37
December	1 60	....	04½	1 55½
1933—				
January	1 60	....	08	1 52

*Average test higher than 3·5.
Montreal, March 1, 1933.

Now, I want you to note these percentages. In November we had 8 per cent surplus in company A; December prices are up to $1.60; we had 23 per cent surplus giving us $1.50. We had no surplus in company B—I didn't get a surplus in company B; average price they paid, $1.55½—so we judge from that that the surplus was small. Company C, $13.61 paid, was small—6 per cent surplus; and no surplus in November, they paid $1.53. And company D paid full price of $1.60, the only time in the year that they paid the full price. Now, that company was one of the companies that was sitting around the table along with the others and agreed to pay the price, and you see just how helpless we are. We could not penalize the shippers that were shipping to these people, because we have nothing better to offer them. On a flooded market it becomes a buyer's market. Now, that is our position.

Now, to approach this on the basis of units. The average price for 1932, agreed upon for the year, was 1·477—ending year, 1·227. Now, that was the price agreed upon, the average price; not the price that we received, which was $1.07—that is the average price.

Now, as I said at the outset, we are not giving you—that is not the true picture, the picture is even worse than this, I am sorry to say, because we know that there was milk being delivered in Montreal by truck by some of these smaller companies at 75 cents a hundred. Now, gentlemen, you know that milk can't be produced for that. We can't continue. We can't continue in business and sell milk at 75 cents a hundred. We could not continue for any great period of time at $1.35 per hundred. It is impossible to produce milk at that price. We do not know what the future has for us—the chain stores have entered into this picture. I am leaving that to Mr. Moore to deal with; something that will be an eye-opener in that connection. We are going to be faced with competition - now I do not know what is in the future. For the present we are sitting pretty and hope it continues. Now, gentlemen—

By the Chairman:

Q. Will you file that statement?—A. I will have it typed.

By Mr. Barber:

Q. Mr. Chairman, in order to get the record straight, particularly in regard to the Association you have mentioned, is that a co-operative organization?—A. Yes, a co-operative organization incorporated under the Quebec Act.

Q. You are purely and simply a selling organization, you do not undertake to distribute or manufacture?—A. Not at all.

Q. Another question: you mentioned about the whole milk price and the surplus price, is that average; or do some other producers in your area who are close to the city get whole milk prices and others who are outside get manufacturer's prices, or are both paid a manufacturer's price?—A. They have different ways of dealing with their surplus. Some of them make arrangements with their shippers that we will keep milk at home four or five days. I believe a lot of these arrangements had to be upset in abnormal times. Other companies say you will have to keep your milk at home two days a week until we notify you to the contrary. Others can't take it all. Now, we have another company that has plants out in the country which practically ship all the cream into the city and the surplus is controlled by these outlying points—keep that milk there to give just what they need to fill their requirements, the rest being manufactured there: or is separated, and the cream sold in the city.

Q. Prices change with conditions to suit individual needs?—A. Individual needs and conditions.

Q. Another question: It appears from what you have said that your organization has a considerable membership; if you had 100 per cent organization you would be in good shape?—A. I would hope so. I would not like to say.

Q. You would be in better shape?—A. Better shape. I might say, if you will permit me, that we are now embarking upon an organization trying to bring in as nearly 100 per cent members as possible, as producers.

Q. That is the difficulty, possibly, I find throughout the whole Dominion. That is our trouble to-day in British Columbia. We have an organization of 3,600 co-operative producers and 300 independents, and they are coming in and cutting off the whole milk price, and it is putting the association up against very great difficulties.—A. Of course, the British Columbia situation is a lot different in this respect, you are a distributor, we are not.

Q. We are distributors.

By Mr. Loucks:

Q. What per cent of the farmers are in your organization?—A. If you mean what is the percentage, I could not say about that; Mr. Moore has these figures.

By Mr. Tummon:

Q. In regard to your association, if I understand you correctly, you said the agreement between your association and the dealers was simply a verbal agreement?—A. Joint agreement, we call it.

By Mr. Pickel:

Q. You used to have contracts?—A. That was some years ago.

By Mr. Tummon:

Q. Do we understand that at the present time distributors have no contract whatsoever with producers?—A. Not that I know of.

Q. And you have no contract that you could file with the committee with regard to the supplying of milk at all?—A. No, there is nothing. I have never signed a contract, unless it was twenty-five years ago, in that neighbourhood Since that there has been no contract.

Q. I see.

By the Chairman:

Q. That is, as individuals?—A. As individuals. We were assured at that time—now these contracts were not made with the bigger companies. One company some time ago the John D. Duncan Company—was in business at Montreal, we had a contract with them; that is the only contract that we had with these bigger companies. We had to have contracts with the more important dealers in the earlier years because they were depending upon you to supply their needs. Now, they didn't have a great number of producers to work with. They had one man, or two men, and they looked to them for their supply; and a contract was more important to them than to the big distributor. That is the reason that we signed a contract with them.

Q. Then, would it be safe to say, Mr. McArthur, that the distributors in the city of Montreal had no contracts with the producers, or with an association representing the producers other than verbal contracts?—A. I think you are quite safe.

Q. Now, then, what we want to get at now is the terms of that verbal contract; we rather thought that you would probably have a contract, either between the producers and the distributor, or between your association and the distributors. Now, we want to know what are the terms of that contract; just what that agreement—you say it is only a joint agreement—now then, what does that joint agreement embody; what are the terms of that? More than the price of milk isn't it?—A. More than the price? Well, if you have followed these figures I think they will give you the answer to that—in these four firms that I have listed here.

Q. Yes, Mr. McArthur, that will be filed with the committee and printed in our report.—A. To answer your question let me say that the difference, the only difference, is with the honesty or the willingness of the distributor to abide by his word. Now, we have some here we believe are trying to live up to the agreement to the best of their ability. There are others who are flouting it—no doubt of it.

Q. Well, what are the terms of that agreement; to what grade of milk would it apply?—A. There is only one grade, of 3·5 milk agreed upon, and the differential paid for at the rate of 3 or 4 cents a point above that.

Q. Above?—A. Above or below.

Q. All right, those are the terms then?—A. Yes.

Q. Now then, can we get the terms of that; have you the terms of that?—A. We have it in our minutes of the meeting, $1.35 per hundred for 3·5 milk.

Q. And then, the points up or down?—A. And the points up or down delivered at the railway station in Montreal. Don't get away from the fact that we must deliver our milk and that delivery costs us 25 cents a hundred—we have to take 25 cents a hundred from that.

Q. That is the cost of transportation?—A. Yes, per hundred.

Q. That is the average?—A. That is the average price.

Q. Now, with regard to the surplus milk, Mr. McArthur, about which you were speaking; does that mean the milk the distributor receives over and above what he wants for distribution in the city for sweet milk purposes?—A. Yes, that is it.

Q. Now then, what other ways are the manufacturers themselves making use of that surplus milk?—A. I could not say. We believe that a lot of that milk possibly found its way into the cream trade in Montreal. We know some of it—

Q. Into what?—A. Cream trade, some of it does; and as I said before there is the question of buttermilk, that is something for which we get nothing. It is a by product that nets him a nice little profit right there. We believe as well that the biscuit factories get a lot of skim-milk. Now, I am not the percentage; if you ask me what the percentage is I could not give you that, obviously; but these are two things. Now, the milk we believe is not a total loss.

Q. Some of it may go into butter?—A. Of course, the extra; some companies do.

Q. Now, in regard to the milk coming from the producers into the city; considerable comes in by both railways, I presume?—A. Oh, yes.

Q. Then, over and above that there are certain trucking companies, are there?—A. There are 100 licensed trucks.

Q. Licensed by whom?—A. By the city of Montreal to draw milk. These are extra licences—permitting to draw milk.

Q. And only draw milk?—A. Well, no; but they must not, they can't draw milk without these licences. They probably draw something else at other times on the return trip it may be—I am not in a position to say.

Q. They are licenced by the city of Montreal to go out in the country, collect milk, and deliver it in the city of Montreal?—A. Yes, of course, some of these trucks are owned out in the country.

Q. And the list of the names of these trucks would be in one of the City Hall departments?—A. Absolutely; yes.

By Mr. Porteous:

Q. They will be subject to certain regulations?—A. Yes.

Mr. Pickel:

Q. In regard to trucks, Mr. McArthur, do you know, or have you any reason to believe, that the distributing companies in Montreal pay these trucks a bonus for bringing milk into the city?—A. I would not think so because of the price that trucks are paid. The prices that the producers pay at the present time is about 25 cents a can. That would be ample at 25 cents a can as compared with what they would give. If they had to pay more they would return to the railway.

Q. Possibly you do not understand me: Have you any reason to believe that the distributing companies in Montreal pay a little bonus to these trucking companies to bring milk in?—A. I have no reason for believing it.

By Mr. Porteous:

Q. You are the secretary of the Milk Producers' Association, are you not?—A. No, president.

Q. Has your association ever made any suggestions to the distributors in Montreal in connection with the surplus milk?—A. Oh, yes.

Q. What were any of those suggestions?—A. As I mentioned, the quota system was one. Now, they feared to endorse that for various reasons. One of the reasons was that the milk would not be kept out. They have reason for that in this way: I know that last summer one of the companies when they asked one of their shippers to keep his milk at home for a few days during the week, one of these truckers when he knew that this milk was being kept at home went around and got capacity loads and took them in to some of the other distributors. I know it was done in some cases, but whether it was so general as to be grounds for stamping out the whole question of quota I am not prepared to say.

Q. Do you think it would be better from a producer's standpoint to take care of that surplus milk yourselves?—A. Absolutely.

Q. Has your association made any representations to your producers?—A. Oh, we have.

Q. To take care of your own surplus?—A. Yes, but the question comes up that unless you can make it apply all the way round and have some assurance that it will be lived up to, it is not of much value.

By the Chairman:

Q. Mr. McArthur, I understand you to say that representatives of your producers' association and representatives of the distributors do meet at stated times to determine the price of whole milk?—A. Yes, that is correct.

Q. Did you take minutes of those meetings?—A. Yes.

Q. Well, if the prices are set, are they incorporated in the minutes?—A. Yes, everything is there.

Q. Is there any way we can get the minutes of those meetings?—A. I am sure we can supply you with them.

Q. I think that is very important, because if distributors come along they may contradict your statement in regard to prices and all the rest of it. We should have these things on file if it is at all possible.—A. We can get them. You can have them. We can get a copy from the office.

By Mr. Carmichael:

Q. I would just like to ask a question: The evidence given here gives the producers' selling price of milk in terms of 100 pounds; the consumer always gets that in bottles by the quart: could the witness from his records give us the relation between the two?—A. I will leave that matter to the secretary. The secretary knows the Montreal end of it and can work it out in detail that I could not give you. Any information that you need along that line you will probably get after Mr. Moore speaks.

By Mr. Bertrand:

Q. You were discussing the terms of your contracts with the companies and you stated that a certain amount of milk which they brought in was taken into account as surplus milk when fixing the price. Could you just tell us if it is based upon the amount of offers that they have?—A. I probably did not make myself clear there. For instance, they have 10 per cent surplus at the present time. Now, 10 per cent surplus is not insurmountable, but over and above that they will say, well, we have here letters on our desk so high, from which we can draw a potential quantity of milk. That is a potential surplus in trying to fix prices. Now, that is where this is used in trying to pare down prices.

Q. That is what I understand from your statement. Now, further, is it known to you that it would be possible that they canvas those offers to your association?—A. No, I would not say so. You mean the distributor?

Q. Yes.—A. I would not say that they confine this surplus to any certain time of the year. It is particularly at the fall price fixing period where this is held up to us. At that time of the year many of the creameries in various parts of the country are closing up, or are about to close, and the farmer who has cows coming along—they have milk left till February or the first of March —and he is anxious to get that milk placed in the city of Montreal. In most cases I expect he probably will qualify, in some cases he does not; but he does not inquire into that. Until he accepts him as a regular shipper he doesn't get any inspection. That is really a matter for the City Health Department.

By Mr. Porteous:

Q. Well, Mr. McArthur, under the regulations of the city, the municipal regulations, do they not have a report on the milk they have inspected?—A. Yes. You must understand them. When he is going to take him on—there is an understanding there that he is going to be a shipper, but before he can get shipping he must stand inspection.

Q. That is, before he can ship?—A. Yes.

By Mr. Bowman:

Q. Mr. McArthur, did I understand you, just at the conclusion of your remarks, that you said "We are sitting pretty"? Just what do you mean by that?—A. We feel that we are sitting pretty for the time being. Our price is $1.35 per hundred. I mean by that that we don't know until this chain store question gets finally settled—we are afraid that we would be called in to face a cut in price. Now, they didn't call us.

Q. You did not mean that conditions were satisfactory?—A. Not at all—they were better than they might have been; that is all.

Q. Was there arrangement with regard to supplies? Were members of the association given any guaranteed minimum or maximum?

Q. Taking your figures as quoted, they work out to about 2·42 a quart for the year, after taking 25 cents a hundred pounds off.—A. Mr. Moore will give you that; he has that all figured out.

By Mr. Stirling:

Q. Did I understand you to say that one of your difficulties is that trucks go out to what you term the back concessions and buy milk outright from certain farmers who are not members of your association?—A. I would not say they bought it. I am not just sure; I don't know. The trucker does not buy. He takes it in and has some kind of an arrangement with the company that he is supplying that they will take his load.

Q. The trucker is working as the agent of the company?—A. As the agent of the company, and normally reaping the benefit of a full load or half a load.

Q. And is that distributor playing fair with your association?—A. We question that part. We question that.

By Mr. Sproule:

Q. Where does the producer get the ground for knowing what the surplus is?—A. That is one of the things that we asked. We wanted him to give us an idea what his requirements were from day to day. Now of course, that is a question of exposing their business. That is one of the stands they take. These surpluses are worked out from actual statements at the end of the year that the shipper receives from the company to whom he ships his milk.

Q. The producer has no way of knowing what the surplus is until he receives the company's reports?—A. Not until the end of the month. We do not know until the statement comes back.

By Mr. Tummon:

Q. Do you say those surpluses are worked out from the monthly statements that come back from, say, 2,000 producers?—A. Yes.

Q. Giving the exact days?—A. Yes.

Q. On the statement that comes back, the distributor is paying so much for what is used to take care of the demand, and so much less for surplus?—A. Yes, per 100 pounds.

Q. You work out your surplus from this?—A. From this statement.

Q. Have you the days—you have the months?—A. Months. No, we can give you days. The days are all on there, but it is going over the month, so many hundred pounds as a surplus, not your total shipment for the month.

By Mr. Porteous:

Q. I should like to ask another question. You stated some of the companies were paying a flat rate?—A. Yes.

Q. Are these companies compelling the producers to keep their milk at home?—A. They are taking all the milk—those and smaller companies are taking all and paying a flat rate. Those are not the bigger companies. Those are what we call the middle companies.

Q. Now, take the case of a producer who is producing perhaps two cans of milk a day, and in a month from now producing four or five. Do you take all that milk?—A. We take it all. He is protected. He is never paying a great price; he is protecting himself in making his price low enough—in this case a dollar for five months, which means 75 cents per hundred to the producer.

By Mr. Wilson:

Q. Do you provide your own cans?—A. We provide our own cans.

Q. And you are being paid a cent a day for the use of the can?—A. We provide all our own cans, with the exception of those we ship to the Borden plant out in the country. The Bordens provide the cans for the shippers, and they charge them so much per hundred. It is a service they charge for.

By Mr. Shaver:

Q. When the price is being fixed, what is taken as the basis of fixing the price? Is it fixed on the price of butter fat, or the milk that goes into cheese? —A. Of course, I realize there is a point from which we work. I am quite free in saying it is a factor. At one time we used to figure on one dollar differential from cheese prices. For instance, say the average of cheese and butter—but it is mostly cheese at that time—was one dollar of a differential. That dollar differential does apply. We are not getting it.

Q. You stated you were getting less than the cost of production. Have you the figures for your cost of production?—A. We are now getting out something—I might say we have started the cost of production over a period of five years, and in speaking with the secretary of the Economic Branch of the Agriculture Department in Quebec just last week, his reply to that was that we have not anything that we can base the cost of production on, because it varied so much. He said, "It is so up and down." That was his reply. Now, that would not give you what might be my cost of production. For instance, I might give you a picture of when we started first. We had a sale shortly before and were building up and had a lot of young stock coming along, the barn filled with them. My cost of production would be away out of line, and I said so to the man who was making surveys. He said what about the other fellow, who is the other way around, you are just going to balance him. I said, I understand; all right, we will let it go at that. But that is something. We cannot give it. I know a man who has barns full of producing cows, and his production is down as compared with the man who is carrying a lot of dead wood or young stock coming along. So, that is the difficulty.

By Mr. Loucks:

Q. I was just wondering if all this milk came from accredited herds?—A. It means it came from inspected herds, not all accredited, but there is a great percentage of accredited herds in the shipment.

The CHAIRMAN: I think we are contemplating a lot of evidence that the next witness will give, and we are perhaps not using our time as usefully as we might. I think we had better release the present witness.

Witness retired.

WILLIAM W. MOORE, called and sworn.

Mr. Chairman and Gentlemen, I might just say as bearing on my experience that since 1920 I have been president and general manager of the United Dairymen Cooperative Company, Quebec, director and general manager of the United Dairymen Cooperative, Limited, Ontario. Since 1921 I have been in addition, secretary-treasurer of the Montreal Milk Producers Association, and we have since that time handled all the business of the association.

In my references to-day to Montreal, I am referring to greater Montreal, with a population of roughly one and a quarter millions. In greater Montreal, you may be interested to learn something of the consumption of milk there, and thereby noting the increase which grew over a number of years, but which has been disturbed in 1932, particularly. In 1928 the estimated consumption of milk, as nearly as we can get it, was 21,900,000 gallons.

By the Chairman:

Q. Fluid milk?—A. Fluid milk; I am talking of fluid milk only. In 1929, it was 23,300,000 gallons; in 1930, 25,250,000; in 1031, 26,949,000 gallons; and in 1932, 26,617,000 gallons. Now you will see there was a pretty constant increase up to 1930. There was some reduction up to 1931, and in 1932 the consumption went back below 1931. Therefore, we lost the annual increase which we should get according to the increase in population; but actually we used less milk than we did in 1931 due to hard times. I have figures here only for 1931 and 1932. The figures I have given you, you see, were for milk estimated to be used in consumption, in 1931 as against 26,949,000 gallons used. There were received at the plant, the pasturizing plants in greater Montreal, 28,000,000 gallons; and in 1932 against a consumption of 26,617,000 gallons, there were received 26,000,000—that is the same amount exactly. But the decrease in the quantity of milk received in 1932 as against 1931, was 1,383,000 gallons.

Now, Montreal is in a very favourable position as regards potential supply of milk. It can draw its milk supply over a larger area at a cheaper rate for transportation than, I think, any city on the North American continent. The railway rates on milk have not been changed since 1866; and rates are from one mile up to forty miles, 15 cents an eight gallon can; and from forty-one miles to one hundred and fifty miles, 20 cents an eight gallon can. Now, one hundred and fifty miles takes in an area, or represents an area that can supply Montreal with a great deal more milk than it can possibly consume, or will consume for a number of years to come.

As against the supply or the quantity of milk received, we have a number of shippers who are inspected by the city, and have promised to ship—that is the farms have been inspected and scored. The inspector scores his farm with points for various things, cleanliness in the way the milk is handled, and the way the herd is kept; and farms that drop below a certain minimum score are not allowed to ship, of course. In 1930 the number of farmers thus qualified to ship to Montreal were 4,358. In 1931 there were 4,373, and in 1932, 4,563,

and 1,894 sweet cream figures. We have not the figures to produce in regard to 1932 as to the number of inspected farms who were inspected primarily to be allowed to ship sweet cream to the city of Montreal. So, you will see there was an increase there between 1931 and 1932 of 189 farmers, although we have a decrease in the consumption of milk in Montreal, a very large decrease; but a considerable increase in the number of shippers.

Mr. McArthur has told you about some of the activities of the Montreal Milk Producers Co-operative Agricultural organization. And in addition to meeting dealers from time to time to bargain about the price of milk, we have been making certain requests to the government of the province of Quebec for changes in the regulations, in the legislation to meet conditions of the producer. For instance, on December 18, 1930, our directors met the Quebec Minister of Agriculture, and asked that it should be compulsory in purchasing milk to pay for same on a butter fat basis. That is not compulsory to-day. We asked for an enquiry to determine what is a fair spread between the price the producer receives for his milk and the consumer pays; and that is something that you gentlemen are trying to investigate to-day.

In December, 1931, we appeared before the Quebec Milk Investigation Commission and we asked for an enquiry to determine a fair spread between the price the producer receives for his milk and the price the consumer pays. We also asked that it should be compulsory to pay for milk on a butter fat basis; that the basis should be 3:5; that the government should appoint test inspectors to check the testing that is done in the city plants; because a number—all the large companies are paying for their milk on a butter fat basis, although it is not compulsory, and no check on the test that is reported to the shipper. It is left entirely to their own chemists in their own plant. We asked the government to check that, and also check the weighing of milk. We also asked the commission to recommend that there should be an enquiry into the surplus milk reported by the dealers to their shippers over a certain period; one month or two months, or three months, if you like, to see if it is a fair return of that milk surplus or if the milk has been separated and butter made from the butter fat. These matters are all receiving the attention of the Quebec government at the present time.

We hope that they will be brought into effect this year.

Now, I have given you the quantity of milk received at Montreal, and I shall now give you the number of dairies in Montreal that under the Municipal Montreal Milk Act are operating to-day.

Mr. Tummon: Mr. Chairman, in order to save time, I would suggest that if the witness has a list of the distributors or operating dairies, he should file them with the clerk. (See appendix).

Witness: I am not going to read them out, but I want to refer to them for a moment. There are 33 pasteurizing plants in greater Montreal, and they are turning out 72,000—that is an estimate—73,000 gallons.

By the Chairman:

Q. Daily?—A. Daily. Now, it is very often supposed that four or five of the prominent companies in Montreal are practically in control of the situation. That is not the case. Four of the larger dealers with the most modern plants supply only 39 per cent of the milk that is distributed in Montreal. Of those 33 plants, the average daily output is 2,200 gallons, the largest is 8,500 gallons, the smallest is 100 gallons. There is only one of 100 per day. There are 15 under 1,000 per day, and 23 that are under 2,200 gallons per day—2,200 is the average. Twenty-three of the 33 are turning out less than 2,200 gallons per day. In this list of dealers, we have a number or the majority that we never see at a price conference between the association and the dealers. Some of them

come occasionally. If they do come, they sit there as listeners, and they, presumably, are in agreement with what is said: but they never live up to the price. In some cases after they had agreed specifically to pay the price, they only did it as long as milk was scarce, and as soon as milk became plentiful, they got away from it.

Now, I shall give you just one illustration of that. We had a meeting in November with the dealers, and each one of the smaller, the middle smaller companies was represented by a manager. We all made a unanimous agreement that the price to the farmer, delivered to the railway stations, Montreal, for the month commencing first of December, would be $1.60 per one hundred pounds, for 3·5 milk. Each man around the table in November said, "I will pay that price until we have another meeting to authorize a change." We had another meeting in January and decided on a change in price, back to $1.35 as of February first. But this dealer only paid the price for December, and the first half of January. From the 16th of January to the 31st of January, he paid $1.44 a hundred pounds instead of $1.60, and 73 cents for surplus. The total quantity of milk that the farmer supplied was 8,137 pounds. He paid $1.44 for 7,130 pounds, and he paid 73 cents for 1,007 pounds. That was his obligation, to pay $1.60 until there was another meeting and a change in price, but he did not do so. Cases like that occur from time to time, and one of the problems—one of the big problems—in Montreal, is to remember that the smaller and small dealers are out to make money, out to buy their milk as cheaply as they can buy it, and who are all the time undercutting the more reputable dealers and selling milk at lower prices than the larger companies are asking.

By the Chairman:

Q. Mr. Moore, can you file the minutes of those meetings?—A. Yes.

Q. We should have that on record. I think it is very very important.—A. You may say, well, you know this particular jobber, why don't you force him to pay the price. I have written that particular jobber and told him that. But in December he went to the country and told men he wanted their milk and would pay association prices. He told us in conference he would agree to those prices. You may say, can't you force that dealer either by going to law or some other way to abide by his agreement. But they are afraid to go to law over these things; they are afraid they will lose their price, because milk is getting plentiful in the spring, and it would be easy to get milk, and that is how those things are done, and they get away with it.

I might tell you, that before the change in the price of milk took place on the 27th day of February, the last change, those smaller dealers, the smaller and small plants, were selling milk to what we call street peddlers at 21 cents for four quarts. You see, at the city hall in Montreal, you can go and get a licence to distribute milk for ten dollars. It used to be fifteen, but now it is ten. Anyone can get a horse and wagon—in fact they have had a request from a fellow with a motorcycle and side car, who wanted to be allowed to distribute milk—anybody can go there, presumably, and get a licence for ten dollars. He goes around to those plants and buys one, two or three dozen quarts of milk and he then goes around from house to house and sells them at whatever price he can get over and above what he pays. The milk is sold at about the actual cost, because milk sold at 21 cents for four quarts comes to a little over five cents a quart, by those plants to those street peddlers.

In addition to the troubles we had with all our dealers, after all probably control over 50 per cent of the milk distribution in Montreal, is handled by those smaller and small concerns, outside of the four or five large companies. We have had a terrific increase in the quantity of milk coming into Montreal, on account

of two reasons. You must remember that prior to two years ago we had quite a big trade with the States in milk and cream; now that has all been stopped. All those men back around the southern tier of counties in Quebec were qualified under a very stringent inspection test laid down by Washington to ship milk to the States. They therefore, easily could qualify to ship milk to Montreal. Therefore, we have all that pressure, and that is one reason why our surplus has been so much greater during the last two years.

We have all that pressure from that milk coming into Montreal that formerly went across the line; and in addition we have the low price of cheese and butter last fall. So that we have an additional number—as a matter of fact the city hall is deluged all the time with applications from farmers who seek to have an inspector go out to inspect their plants so that they can conform with the city by-law and be in a position to send milk to Montreal. We have that pressure all the time. I was going to say, in addition to those difficulties we have to contend with what is known as bootleg milk. Last September and October, and November particularly, we had milk coming into the city at night by trucks from factories, largely from creameries and cheese factories. We co-operated with the city hall to the best of our ability to try to check that. We had reports sent in from the country of those trucks. In a great many cases we obtained the licence number. We co-operated with the city hall in regard to having inspectors on a great many of the roads. Take for example, the Victoria bridge, the new harbour bridge, and then we have the ferry across from Lachine, and roads from the back part of the island, coming in. They stationed their men at the bridges, and kept them there all night in the hope of intercepting those trucks. One month, in fact, our association helped the city to the extent that at certain times for over a week, we supplied two men ourselves at our own expense, who were sworn in, and who helped to carry out this work of inspection. There was a good deal of milk seized and confiscated by the city. It has no recourse except to keep the milk and destroy it. They might find out that it was going to a certain dairy, but they cannot take any action at the present time. There is a bill now being presented before the Quebec Legislature to give them power to take action against the parties in the country who are supplying this milk, to take such action in the Montreal courts as may be deemed necessary. In addition to that they have asked that the licences for milk trucks be raised from ten dollars to fifty dollars, to try to keep down the number of trucks that are engaged in this business. Some of those are city trucks, and some are country trucks.

Now, in regard to cutting of the prices to the producer. We have here a statement, which I will hand into the committee (see appendix) showing that from the year 1927 to the end of February, 1933. We give you the prices for the various periods. In January, 1927, the price to the producer per 100 pounds delivered to railway station, Montreal, is not the retail price in the city of Montreal. Take the retail price of quarts and pints. I give the dealers' gross returns per 100 pounds based on quart price only. I do not take into account the pint price. Then I give the dealers' gross spread per 100 pounds for milk at the railway station, Montreal. I am taking this on the base of railway station to the dealer. This milk is taken from the station to the plant, pasteurized, and bottled, during which operation a certain amount is lost, and distributed all over the city.

Now, in regard to spread. Commencing 1927, the gross spread was \$2.61½ and to-day with the last reduction the gross spread is \$2.14.

By Mr. Lucas:

Q. Per 100 pounds?—A. Per 100 pounds. And if you take it just before this last reduction, up to February 20, you will find the gross spread was \$2.52. So we have reduced it in our negotiations over those years—we had cut into the

dealers' spread ten cents up to the 26th of February, and with this last drop that has taken place of one cent per quart, without any reduction in the producers' price, the spread has been reduced 47 cents, \$2.14 and \$2.61½, which gives 47½ cents, as the amount we have reduced his spread. There is a big break there because I show the price of milk went down a cent a quart, and \$1.35 remained as the producers' price; so it reduced the spread.

Then, to continue, you are interested in quarts. We take 1931. There were three price periods to the producer in 1931 at the railway station, Montreal, the producer paying the freight. The three price periods were \$2.40, \$2.03, and \$1.70. That brings it down to an average of 5·26 that the producer got at the railway station per quart, out of which he had to pay the freight. The average price was 5·26 per quart. Now the dealers gross spread at the railway station for those three periods in 1931 was 6·72 cents per quart; and his gross proportion of the consumer's dollar was 56·5 per cent, leaving the producer 43·95 per cent for that year, of the gross spread.

Now, we shall take 1933, which, of course, is only from the first of January to the 28th February, and which includes this last drop. The price per quart to the farmer, gross, at the railway station, Montreal, was 3·69 cents per quart, and the dealer's gross spread, including his last drop, was 6·28 cents per quart, or 63 per cent, 63 per cent of the consumer's dollar, leaving 37 per cent to the producer.

If you will take the price per quart in 1931 of 5·26, and take it in 1933, 3·69, you will see the producer's drop or decrease per quart at the railway station during 1931 to 1933 is 29·84 per cent. The distributor was 6·72 in 1931, and 6·28 in 1933, up to date. His drop is 6·55 per cent. The producer dropped 29·84 per cent, and the distributor 6·55 per cent.

By the Chairman:

Q. Would you repeat that statement, Mr. Moore? Have you the reduction in the producer's price, the percentage of the reduction in the priducer's price. I do not think that was correct which you gave us.—A. Well, that is right, if you take 5·26 cents per quart in 1931, and 3·69 per cent per quart in 1933. To date, it is a reduction of 29 per cent.

Q. I thought you said 9 per cent.—A. 29·84. As Mr. McArthur has told you, there is one very bad feature that has entered into our price, which the producer has been receiving the last three years, particularly. We have always striven, on behalf of the producer, to try to keep the price changes per year. It is obvious that the farmer knows that the price of milk is going to be down, we will say, on the first of May, or the first of June, and is going to be up on the first of October. That being so, he can more intelligently plan his herd and his production of milk for those periods; but we have said that due to the abnormal and chaotic conditions of the last three or four years, after a long struggle, we got to the point of getting eight month's winter prices. In the fall of 1928 we got a price of 2.80½ delivered at the railway station, Montreal, from the first of October to the 31st of May; and then the price dropped on the first of June, and it was suposed to go up again on the first of October. In other words, we had a seven months' winter, and five months' summer.—No. We had eight months' winter and four months summer prices. It was an ideal condition for the producer; because after all, May is a winter month, and it is just as hard to produce milk in May as it is in January. That would be the proper way, to have milk change twice a year, on the first of June and on the first of October, because it has worked out that the scarce periods for milk, for Montreal, is now from the middle of October to the end of November. That is the period of scarcity. Am I taking up too much time?

The CHAIRMAN: No.

Mr. MOORE: Now, in final reference to the City of Montreal situation, we have to-day, I might say I will hand in to the committee without referring to it, what I have here, another table taking two of the leading plants in Montreal, giving the prices from 1931 to 1932, giving the price to the producer at the railway stations in Montreal, and the percent of surplus for each month of these two years, deduction from 100 lbs. for surplus, and the net price to the shipper, delivered at the railway stations, Montreal, from two of the larger companies, for every month of 1931 and 1932. I will file that.

Now, in Montreal, prior to the beginning of the first part of 1932, the distribution of milk was left largely to these thirty-three pasteurizing plants. They all made house to house deliveries. The stores, of which we have 2,800 in Montreal, grocery stores, including 317 chain stores, 2,800 inclusive, sold milk along with other things, and made no special feature of milk. They sold milk at a price and demanded a deposit of five cents on the bottle; and you had to cash and carry mostly. You had to go and get your milk, except in the case of stores having a regular delivery. The chain stores hardly ever delivered. You had to go and buy it. In the spring of 1932, one of the chain stores, with 72 shops in greater Montreal, limited to greater Montreal—they had no chains anywhere else, this was a Montreal proposition—started to feature milk. They sold milk at three cents a quart at the store below the top house delivery price. When milk was ten cents delivered to the homes by all the larger companies, they sold at seven; when milk went up for two months last fall, they sold at eight cents —when it went up to eleven cents they sold at eight. When it came down on the first of February to ten, in the stores, they sold at seven. They started featuring it, advertising it and pushing it; and in the first ten days of September, they put on a drive and sold milk at five cents a quart, for ten days, and there were seventy-two stores.

Mr. LUCAS: Q. Where were they getting their supply from?—A. From one dairy, the Perfection Dairy of Montreal. Now, the other three stores, the A & P stores, Dominion Stores and Stop and Shop—the Dominion Stores have 121 stores, the A & P have 65 stores, and the Stop & Shop have 50 stores in Montreal. They were selling at the regular house delivery price, ten cents when it was ten cents; eleven cents when it was eleven cents. In other words, they were three cents above their competitors in the other chain stores. Then about a month ago they called on their distributors, (these three stores are each supplied by one of the five larger companies, they do not get any milk from this concern that supplies the stores I spoke of. They each went to their distributor and they said, "We cannot stand this competition any longer. This other chain store is selling milk three cents under us. They are delivering it by boys and carts which they are all more or less doing now, delivery service at the same price, and we must get milk from you that we can sell at seven cents." There was a conference. We were more or less brought into it, tried to get into it to see what was going on, and the chain stores would not meet us, and finally there was a compromise, and these three chains decided to drop their price at the end of the month from ten cents to eight. The dealers then decided they could not have milk, their own milk—because these chains stores advertise the dealer's name from whom they get their milk—going out of the chain stores at eight cents, which meant when you have milk going out of the chain store at eight it remained at ten cents to the house dealers. When we had the drop on February 27th to nine cents, the plants and these three main chain stores and other stores as well as far as we know at seven, we are apprehensive that they might drop below seven as soon as milk becomes more plentiful.

This followed exactly the situation that happened in Winnipeg. In Winnipeg in 1932, the chain stores went into the milk business, featured it. One of the chain stores put in their own dairy and got milk down to five cents a quart,

and the whole thing got disorganized. The producers were only getting around seventy cents a hundred, and they went to the government and the government said, "All right, we will bring milk under the Public Utility Control Board". Commencing on the 2nd of September they fixed the price all along the line. The producer got so much. The stores pay so much and sell at so much. The other companies sell to the stores at so much, and sell to the householder at so much. It made a difference of two cents a quart. That was brought into effect, to remain until twenty-one days after the meeting of the Manitoba Legislature. The Legislature is in session now, and the time period is pretty nearly up.

One of the men who was instrumental in bringing about that change was Professor H. C. Grant, who is in charge of the Department of Economics in the University of Manitoba, and I telegraphed him on February 18th, asking him how it had been working, and if it would likely be continued, and this was his reply:—

> Both producers and distributors satisfied with public utility control in Winnipeg both parties want control continuous no doubt such will be done.

We knew what happened in Winnipeg. When we saw this milk price war threatened to develop in Montreal a few days ago, our association directors met, and we decided to send a delegation to the Minister of Agriculture in Quebec to see if we could avert this disaster which will likely overtake us. Eight of us went down there, representing all the districts, our main branches in the Province of Quebec, and we told the Minister the situation. We asked that, in an emergency period, an emergency commission of three should be appointed to control the prices of milk in Montreal; because you see, we fear with the increased quantity of milk that is going to come into Montreal this spring, with possibly very low price of cheese which has dropped again, because cheese to-day is the lowest price in London, with our depreciated sterling, that we have seen in years. Cheese is selling there at 43 shillings a hundred which is equal to $6\frac{3}{4}$ cents in Montreal. So we said, "We think the time has arrived for you to take action in appointing an Emergency Commission to control this, something along the lines of that in Winnipeg, to last only until more or less normal conditions return." After we left the Minister we wrote a letter to him, which I presume you would have no objection to my reading—it is not long—and filing as part of the record.

The CHAIRMAN: Yes.

Mr. MOORE: It is sort of a summary of what we said to the Minister in Quebec. It is dated February 23, 1933; and is addressed to Hon. Adelard Godbout, Minister of Agriculture, Quebec, P.Q., and reads as follows:—

> DEAR SIR: On behalf of the delegation which waited on you this morning and which represented approximately two thousand shippers of milk to the Montreal market, we beg to submit the following:—
>
> Our interview with you to-day was prompted by the intimate knowledge we have of the critical situation now facing the milk producers who are supplying the above market and the desire to discuss with you the whole problem before matters reach a more acute stage and thus make it more difficult to arrive at any satisfactory solution.
>
> We explained fully to you verbally to-day that the milk trade in Montreal is rapidly approaching a crisis which is found to react on the producer by forcing his price below anything that might remotely be considered as a satisfactory figure.
>
> We, in common with the whole world, are passing through abnormal conditions which we all hope will be overcome in time, but, we have all to live in the meantime and if the price of milk to the producer is forced below its present figure he cannot continue in business.

> We believe that it is vitally necessary, and that now is the opportune time to take emergency measures and not to wait until the situation gets entirely out of hand. We therefore respectively request that you as the responsible head of the Department of Agriculture of this province should take without delay the necessary steps to appoint a commission of three with full and complete powers to take whatever action may be necessary to control the receipt, distribution and sale of milk in Monreal, in order to avert a state of chaos in that market, which will in the long run, prove equally injurious to producer, distributor and consumer alike. In our judgment the producer, distributor and your department should be represented on this commission.

Because in all our meetings the distributor always tells you he has got to protect the interests of the consumer to whom he sells milk.

> Action of this character would not be novel nor unprecedented, and can be defended on the grounds that the milk industry is of paramount importance in this province and that in large measure the prosperity of the province is dependent upon it.
>
> Public control of milk by Governmental Regulation is in force in Portland, Oregon, and in Winnipeg, Manitoba; and in the adjoining state of New York, a bill has been drafted for submission to the State Legislature, which will appoint a commission of five with the widest possible powers to regulate and control the dairying industry in that State.
>
> We have no doubt that the draft of this proposed measure is now on record in your own department.
>
> We hope that you will grant our request and take the immediate action that is urgently required by the facts of the situation.
>
> Thanking you in anticipation, we are,
>
> Yours faithfully,
>
> P. D. McArthur,
> *President M.M. P. Association*
>
> W. W. M.,
> *Secretary M.M.P. Association*

The Chairman: Any questions, gentlemen?

By Mr. Pickel:

Q. Did you get any reply from the Minister?—A. No, sir, we were given the usual reply, that the matter would receive his best consideration.

By Mr. Shaver:

Q. I gather from your statement, Mr. Moore, that you rather viewed with alarm this price cutting on the part of chain stores, that it would ultimately affect the producer?—A. Yes.

Q. Lower his price?—A. Yes.

By Mr. Bowman:

Q. Would you give us the name of the chain store?—A. Thrift Stores Limited.

Q. What is the name of the company that supplied the milk?—A. The Perfection Dairy.

Q. You mentioned the question of freight in placing on the record information in that regard; has the association any complaint to make with respect to the freight charges?—A. Well, we have felt that in view of the low prices that

the producer is getting, and in view of the reduction in other commodities, and especially of cheese for the last two years, I approached, on behalf of the Association, the heads of the two railway companies in Montreal last summer. In fact, I had two or three interviews with them, and asked them if it would be possible to get a reduction of these rates on milk, and they told me that the price was fixed in 1866 and it had never gone up in the intervening time like other rates had; it was absolutely rock bottom, and they could not see their way clear to reduce it.

The Chairman:

Q. That is on the zone basis?—A. The zone basis, one to forty miles; forty-one to one hundred and fifty.

By Mr. Tummon:

Q. Have you any trucking rates?—A. Trucking rates are individual and are largely based on the railway rate; under some conditions a little higher; because they take milk from the farmer's gate and deliver it to the dairy in Montreal, whereas in the case of railway shipment the farmer has to go to the station with his milk, so that the trucker's price would in some cases be a cent or two higher than the railway rate on that account.

Q. Is truck competition eating in as against railway competition?—Oh, yes, very much. That is one point that was brought up to me. I said, "Well, if you reduce your rates, you will recover some of this trade you have lost to trucks." They said, "No, we do not think so. The truck problem will cut down sufficiently to off-set our drop, and we would simply lose that much more revenue than we are getting now."

Q. Would you venture an opinion as to what proportion of milk is handled by truck and what by rail?—A. No, I would not care to. It is very difficult to get any figures on that.

Q. You said that you were asking the Provincial government to appoint an official to check up the butter fat content of milk; also the matter of checking surpluses. Now, to go further, what does your Association specifically complain of in respect to the spread between the price paid to the producer and the price paid the consumer?—A. Well, we have always had the feeling that the spread was too great; and we of course have never been able to get any very definite data on that point; and it is only a real inquiry that can. I may say the Milk Investigating Commission of the Province of Quebec brought in Dr. M. C. Bond, from Cornell University, and he dealt with that phase of the situation, that is, the cost of distributing milk in Montreal anl other places in the province, but primarily in Montreal. While I have the report of that Commission, of that provincial dairy commission, it does not include Professor Bond's report on the costs of doing business, but I have been promised by the Department at Quebec that his report would be available in the course of a few weeks and that I will get it, but it is not included as part of their report.

Q. Have you anything specific to mention that would help the committee in this matter? Is there anything specific that you would point to, that we could particularly direct our investigation to in the matter of this spread—A. Well, the matter of the spread of course is a matter of their total cost. We have one or two plants there, particularly, that have been built in very recent years, one within practically two years, and I may say, a very, very expensive plant, the very last word in milk plants; and they undoubtedly, with their capitalization and with their very expensive equipment have a very high overhead, and it of course necessarily follows that their cost of distributing milk is much greater.

Here is a point bearing on that, if you will allow me to say it, about this chain store competition which we are very anxious about. The sole idea of the

chain store is the volume of business, getting a big turn-over. They do not care about the quality or anything else. I spoke to a chain store man about the quality. He said, "We don't care anything about it. It is up to the city to protect the quality. We are out to sell the milk." Their stores are all in the more thickly settled parts of the city. If they are going to take that trade away from other distributors it necessarily follows that other distributors are going to be left with the expensive house to house delivery. In the more outlying parts of Greater Montreal their costs of distribution are going to be increased rather than decreased. The chain store does not pay a cent for distributing milk. The milk company in Montreal pays twelve dollars to the city for every single horse rig, and fifteen dollars for every double horses rig, in delivering milk. The chain stores can send out its milk with small boys with a cart and pay nothing for distribution.

Q. You have mentioned overhead, and the chain store competition. Is there anything else, specifically?—A. Well, we would like to know—as producers, we want to know whether we are getting in Montreal a fair return. Remember this, that the price that we always give you, and always collect is the top price in Montreal; and then not only the chain stores, but these smaller dealers are always selling two cents—one cent and two cents a quart below that top price. What we want to know is whether, taking the average company—if you like, take five or six or seven of the thirty-three—we would like to know whether they are getting a fair return on the capital they have invested, on the service they are performing to the people of Montreal, or whether they are getting an unfair return, and to that extent, taking it out of the producer. That is what we want to know. We cannot get that information.

Q. Any complaints on the overlapping of service?—A. Well, that follows on all city deliveries; four or five rigs serving one block.

By Mr. Porteous:

Q. Mr. Moore, is all the milk that is sold in Montreal pasteurized?—A. All pasteurized, except a small quantity of certified special milk which comes in from several dairies, under special regulations of the city.

Q. Does the 33 plants that are pasteurizing include all dealers?—A. They are all pasteurizing plants, all dealers, thirty-three.

Q. I have some figures here that you have given, milk delievered in Montreal is $1.35 per hundred pounds. I think that figures out at 3·4 cents a quart?—A. Yes, less the freight.

Q. You said milk had been sold by those pasteurizing plants to these pedlars?—A. Not by these. No, it is the smaller plants that do not pay this price. As I told you that at all our meetings, there is only a third of the better dealers in Montreal who come and make this agreement with us. The other dealers run wild and have always done. As Mr. McArthur pointed out, we have not got definite returns from a lot of these; from two-thirds of these dealers in Montreal, which would show a very much worse state of affairs as to the money that the producer is receiving, and these other concerns that are selling this milk to the pedlars.

Q. That is included in the 33 pasteurizing plants?—A. Yes, they are all included in that.

Q. I think what interests the committee more than anything else is the spread. It was either you or Mr. McArthur said that they were selling milk at twenty-one cents for four quarts?—A. Well, that is to these pedlars. That is some of these smaller dairies that do not pay the association price. They are selling milk since the 1st of January at twenty-one cents, to a pedlar for four quarts of pasteurized bottled milk.

Q. They are buying that milk cheaper?—A. They are buying the milk cheaper.

Q. In the case of chain stores—that one chain store that you have mentioned, is selling milk at seven cents a quart?—A. Seven as against ten; and now seven as against nine, that is the top price to the householder.

Q. Have you any reason to believe these chain stores would be handling that milk at a loss?—A. No, I don't think they are handling at a loss; but I think they are handling at a pretty small profit. Because you see, they are featuring it, in the hope of getting people to come and take the milk, when they have three cents differential, and at the same time they would also buy some canned goods and this and that, and they would get another customer; and firms featuring milk are frequently willing to sell at no profit to draw custom away from other stores.

Q. The pasteurizing plants must be willing to sell to them at less than seven cents a quart?—A. Sure.

Q. It would appear that the spread is a great deal greater between the time that milk comes to the city and is bottled and the time it reaches the consumer's door step, than it is between the time it arrives at the railway station or delivered at the dairy and the time it gets into the bottle?—A. As against that the pasteurizing plant has first to pick up the milk at the city delivery and bring it to his own plant and bottle it. Very few people take into consideration the fact that in bottling milk there is a loss, on account of the fact there is always a lot of spillage, and the slightest defect in the rim or the neck of the bottle where the cap fits, the bottle is taken out and smashed by the inspector, and the milk is lost. I do not know the exact figure, not operating a plant, but the information I am getting leads me to believe they lose around two to two and half per cent. That is all wastage, that milk they lose. Then of course they have bottle cost, which is a big item,—the cost of bottles. The chain stores get a five cent deposit on bottles. They are protected. The distributor sends his milk around to the houses and leaves it to them to deliver back the bottle, and very often they do not. They have to have a drive. In every year in Montreal they have a Return the Bottle week. They have the Montreal Bottle Exchange where all the mixed bottles are taken and they sort them out and return the proper bottles to the various milk concerns. That is only maintained by the larger companies.

Q. What I want to get at is this, would you say that the greatest percentage of spread appears to be in the delivery of milk?—A. Yes, probably it is.

Q. It would appear so from the evidence.—A. Yes, it would appear to be.

Q. There is just another question; in the pasteurization of milk, is there shrinkage?—A. I don't think so, except in bottling.

By Mr. Tummon:

Q. Just as a matter of evidence, you said that you had a list there of thirty-three pasteurizing plants or distributors in the city of Montreal?—A. Yes.

Q. Will you file that?—A. Yes.

Q. With the secretary of the committee?—A. Yes. I have the names, addresses, and the number of gallons.

The CHAIRMAN: You mean to be printed in the Minutes?

Mr. TUMMON: We want the name of the distributers. Now, another point. You say that at the present time you are getting $1.35 per hundred pounds, that is at Montreal. Now, that is net, less 25 cents to the producer?—A. Yes.

Q. So that in reality, the price that the producer is getting at his farm is $1.10 per hundred pounds?—A. Yes. Assuming that his milk is used in fluid milk trade and paid for, that is what he is getting, $1.10.

Q. For the purpose of evidence, it is safe to say for the amount of such milk that is distributed that $1.10 per one hundred pounds is what the producer is receiving on the farm now?—A. That is the maximum.

Q. Pardon?—A. At the railway station.

Q. At the railway station or his farm?—A. That is his maximum.

Q. That is his maximum?—A. Yes.

Q. And then the cost of transportation to the city of Montreal is 25 cents a hundred pounds?—A. Approximately, yes.

Q. We have been talking in hundred pounds. Are you prepared to say how many quarts of milk there are in one hundred pounds?—A. Well, according to the——

Mr. BERTRAND: Forty.—A. There is 38·78 quarts in one hundred pounds of milk.

Mr. TUMMON: What does that figure out per quart net to the producer?—A. Well, taking the figures for the three months—two months, January and February of this year, that figures out at 3·69 cents per quart delivered at the railway station, Montreal.

Q. Delivered at the railway station, Montreal?—A. Yes.

Q. Now, can you figure out before you leave the Committee, the price per quart approximately that the producer receives at his farm or railway station. We want to get those items clear.—A. Just for this last year, you mean?

Q. At the present time.—A. At the present time?

Q. Yes, at the present time.—A. Yes, I will do that.

(See appendix.)

Mr. ROWE: Do I understand you to say that seventy-two stores in Montreal were selling milk at one time at five cents a quart?—A. Yes.

Q. At what price were the dairies distributing at that time?—A. Ten cents. That is the top price.

Q. Have you any evidence as to what the dairies claim is their cost of distribution; have they not claimed $2\frac{3}{4}$ cents?—A. I have heard various figures, but nothing that I am prepared to give this Committee in evidence to-day.

Q. You have already said you are not prepared to believe that the chain stores sell milk at a loss in order to make trade, attract people there by advertising, from the standpoint of being able to sell other goods?—A. I know very well they sold at a loss when they sold at five cents.

Q. You know they sold at a loss?—A. Yes, I know they sold at a loss. They charged that up to advertising.

Q. They charged that up to advertising?—A. Yes.

Q. They sold at a loss?—A. Sold at a loss for ten days.

Q. For advertising their business?—A. Yes.

By Mr. Sproule:

Q. Do you say a dealer could get a licence to buy four quarts for twenty-one cents? Would there be anything to stop the chain stores there?—A. Be what?

Q. Did you say four quarts for twenty-one cents, they could get a licence for $10 or $15?—A. $10.

Q. Well, then, what is to stop the chain stores from having a man with a licence of that kind getting that milk at that price and delivering to his stores; he could sell it at a profit, could he not?—A. Yes.

Q. You say anybody could get a licence?—A. Well, I would not like to say that. There is a certain amount of regulation, but it looks to me as if practically anybody with a little influence, perhaps, could get a licence.

Q. You say that costs $10 for the year or $15?—A. $10.

Q. Does that constitute any certain kind of rig?—A. No; it is the usual pedlar's licence.

Q. Just a licence; you can use any kind of rig you like?—A. Of course, the City Hall do refuse. They had an application for a sidecar and motor cycle, and they refused that, because they did not think that was the proper vehicle for delivering milk.

By Mr. Bowman:

Q. Was the spread more satisfactory to the producer in 1928 than it is at the present time?—A. Well, it was for this reason, that the producer at that time was getting a far better price for his milk, and he naturally was not so very much concerned about prices. There is one feature in my evidence I missed, and it is very important, and if you will allow me, I want to add it.

I referred to the competition, and the difficulty of making agreements with a great many dealers represented in this list. Now, there is another feature there that has cost the farmers supplying milk to Montreal, in the last ten years, hundreds of thousands of dollars; and that is the number of these small dealers that start up the milk business and drop behind in their payments to the farmer and get four or five or six months behind, and they fail, and stick the farmers for seventy-five, eighty thousand dollars. We have a number of cases, time after time, of that happening. The firm that supplies the plant, the equipment, has a bill of sale of that plant; when he fails, he has got nothing and the farmer is left. In a great many cases, he has given the farmer back stock in his business, guaranteeing him a place for his milk, and we have had two or three instances of this last year. For instance, Mr. McArthur knows one farmer in one of these failures, who lost $800,—one man.

There is another thing that the Milk Commission was asked to remedy, and I understand that this is one of the things in Quebec that will come into force is that dealers must put up a bond—milk dealers must put up a bond only to the value of milk they purchase for a period of thirty days. That is another difficulty. I would like to say this however on behalf of the producer, after ten years experience in Montreal, that the producer would be far better off if we had eight or ten milk companies only in Montreal instead of thirty-three, big companies, financially strong, there is one thing, the farmer would be sure of getting his money. But you can always do better—if you had all big companies we could always get a better price and get along better than when we have this condition here with all these fellows under-cutting large companies. The big man, after all—the big plant takes a longer view of the situation; he is more interested in the farmer getting a fairly decent price than the small fellow who is only in from a day to day proposition and wants to make all the money he can.

By Mr. Stirling:

Q. Nevertheless, the farmer will go on keeping those small dealers in existence to his own detriment?—A. What is he going to do with his milk?

Q. Can he not sell to the association?—A. What can they do with it? We have so much milk offered in Montreal, unfortunately, to-day that it would lower the price of milk. The law of economics is all reversed. When the price of a product goes away down the effect should be to reduce the production, but to-day with the price of all farm products away down the only thing a farmer can get any money for is his milk, and if he was getting $50, $60 or $70 per month before for milk at good prices he is to-day milking more cows and trying to get as near to that amount in his gross as possible, and in that way we are getting more milk all the time. When we get normal conditions with cheese and butter, which are the governors of that situation, we are going to have Montreal flooded with milk. You talk about us organizing 100 per cent. Suppose we have 4,500 farmers equipped to ship to Montreal in our organization, what would we do with our milk? You get eight gallon cans and you more than supply Montreal. Even New York state with the New York State Dairymen League with all their milk powder plants, butter plants and cheese factory plants, they are in a dickens of a mess right now. The price to the farmer over there is about $1.

By Mr. Loucks:

Q. What percentage of those 4,500 farmers is inspected?—A. All are inspected.

Q. What percentage of those 4,500 is in your association?—A. We have about 2,000 and while our number is small we have a large number of big heavy shippers, so our 2,000 represents about two-thirds of the milk going to Montreal, because the rest are a lot of small shippers.

Q. Have you a contract with those men?—A. Yes. We have two classes of membership—a shareholder membership in which they all have stock in their association under the Co-Operative Act of the province of Quebec at $10 a share, and then we have associate members who join our local branches on a fee to the local branch. We have two classes of membership.

By Mr. Rowe:

Q. You are sure that these 4,500 are all actually inspected?—A. Yes. I have that from the City Hall.

By Mr. Bowman:

Q. I understand from your evidence that the consumption in 1932 was just about the same as the production?—A. Not production.

Q. I have 26,617,000 gallons as the consumption, and I understood you to give the same figure as production?—A. No, as receipts at Montreal, the quantity received. In the year before it showed a very large surplus.

Q. A surplus in 1931?—A. I do not know whether—I think that that is merely a repetition of that figure. I think that figure is wrong. It may be a typographical error.

Q. I thought it was wrong?—A. The second figure is supposed to be receipts, and I think that is an error in compiling this because there should be a greater surplus in 1932 than in 1931. All my other figures show that. I would like to delete that figure 26,617,000 from the record.

By Mr. Porteous:

Q. I would like to ask one question with regard to the increase in the volume of milk that seems to be wanting a market in Montreal. Would it not be attributable to the fact that it is the most profitable branch in the industry—supplying sweet milk to the home market?—A. It is if they can get a price in excess of the factory price.

Q. At the present prevailing price?—A. At the present prevailing price this year. Because, as a matter of fact, there are no factories open, very few creameries and no cheese factories. They cannot ship to the States. A lot of these shippers have no separators even on the farm. They have nothing else to do but to send the milk to the city of Montreal and take what they can get for it.

By the Chairman:

Q. You mentioned at the beginning something about Board of Health regulations. I do not know whether the committee will have a representative of the Board of Health appear here or not, but could you file with us a copy of those regulations?—A. I am sorry I have not got a copy with me. I have a copy in my office.

Q. Probably we can get them some other place?—A. They are printed and available in the city of Montreal.

Q. Could you file with us a sample statement to the shipper?—A. Yes.

Q. We would like very much to have the minutes of those meetings between the producers and distributors. Now, the next witness is Mr. McMillan of Huntingdon, Quebec.

GILBERT McMILLAN, called and sworn.

The CHAIRMAN: Go ahead with your statement, Mr. McMillan.

WITNESS: Mr. Chairman and gentlemen of the committee, appearing as the third witness before you this morning on the same question it would perhaps be a little difficult not to have a certain amount of repetition, but I will endeavour to avoid that just as much as I possibly can. As a matter of introduction to myself, I say that I simply appear before you as a producer. I have been a producer of fluid milk for the Montreal market for some 22 years, producing quantities varying at times, but as high as 200,000 pounds a year. Now, with the permission of the committee I want to approach this question from a little different angle so that you men may get, if possible, the full picture of the milk producing situation before you, and I am going to try very briefly to give you an estimate of the cost of production from an angle which I do not think has been tackled before, because this question of the cost of production has proved a very elusive one to all sources that have tried to investigate it because of the difference from one season to another which vary so much that it is hard to get reliable data on the question.

I am going to ask you to follow me in the survey of an ordinary 100 acre farm that is producing milk for a cheese or butter factory. In that way, I think, perhaps, I will be able to show you something near the cost of production. The figures I am going to give you, I think, will apply to the western portion of Quebec and eastern Ontario. We will take a 100 acre farm situated just as favourably as you can get it, operated by a man and his family with practically no hired help, as, at the present moment, the returns from milk on the average farm will not bear the costs of paying wages to outside help. I am taking an average 100 acre farm and giving it a value of $6,000, which price at the moment would be hard to realize on many of those farms although the man who purchased them within the last decade perhaps paid anywhere up to $10,000—the very farm I had in mind. We will allow that man for the stock on that farm—and it will perhaps have eighteen cows, ten head of young cattle and three or four horses—a valuation of $1,000. The eighteen cows would run to $540 and the horses to $300. That same man has got to have to operate his farm an investment in his machinery and his household effects of very nearly in the region of another $1,000, giving that man a total investment of somewhere in the neighbourhood of $8,000.

Now, we will turn to what we can expect in return from that investment coupled with the labour of himself and his family. The average farmer in eastern Canada will maintain the farm in working condition and raise and feed—I am not allowing for any outside purchase of feed—a herd of from 15 to 20 cows—maintain a herd of from 15 to 20 cows milking. You have got to have at least a bull and nine or ten head of young cattle. Out of a herd of eighteen cows there is a wastage always of around 10 per cent, three or four cows pass out during the year, and their place is taken by the young ones. We will allow for an average man milking eighteen cows, and we will allow an average production of 5,500 pounds which is considerably higher than the figures given by the Statistical Department for the average production of cows in Canada; but we will grant them that—eighteen cows on that average production—and you have his total milk income for the year as 99,000 pounds of milk. In round figures put it at 100,000 pounds of milk. During the past year—I think I am conservative in saying this to you because I have investigated a lot of the different factories—the average farmer averagely situated has not received an average price of over 60 cents a hundred, giving him a gross income of $600 from practically the only income-producing source on his farm. The only addition to that he would perhaps have in marketing, say, three cows. If he has really been lucky he possibly receives for those cows $50 this fall.

Many cows passed out in our country at from five to ten dollars a head. He has to raise and maintain his herd and possibly sell 12 or 14 veal calves, and we will take it for granted that he fed those calves for a month or six weeks and gets out of them possibly all he could get out of them, but he certainly did not obtain more than an average of three or four dollars apiece. However, we will allow him $50, giving that man a total cash income of $700. Against that he is met with a cash expenditure that he can't get away from. He has got his taxes. I will read figures, these are more or less estimates, you can change them if you please, but I am putting the average taxation on a 100 acre farm at $100—I can tell you instances where it is probably double, and instances where it is less. He has got to carry insurance on buildings and equipment, and if he is going to any reasonable range of safety at all, it is going to cost him $220 per year. Then he has got a threshing bill to pay and that is going to cost him about $25. Then there is the question of silo filling which will cost him about the same. He has got to buy seed every year. If he is any kind of a farmer at all he is going to break from 16 to 20 acres for seeding, and seed for that acreage will average about $25. Anyhow that is going to cost him in the neighbourhood of $20 to $25; and I have allowed the big sum of $20 for outside help. There are times, such as threshing and silo filling and that, when an extra man has got to be had if the work is to be done. In every section of the country to-day there is a certain exchange of labour between one farmer and another, but I put the sum at $20 that he will have to pay out for labour. I have also set up an item of $60 for repairs to his building and machinery. I think that is a very conservative estimate, because any of you who are familiar with the operation of a farm know that if you don't do a certain amount of repairs and improvements to keep them up in a very few years you will be left with nothing but a very heavy loss. These various items coupled together give us the figure of $275. Take that from the gross of $700 and it leaves you $425, that is to the man who is doing the work, entirely to himself—that is himself and his family. He has $425 against his investment of $8,000. If you are going to allow the farmer the same opportunity as any corporation, an interest of, say 5 per cent on his investment—he could obtain practically that if his money was in government bonds, while it wouldn't cost him a nickel—and he has absorbed his total cash income leaving him not a cent for his labour. Now, gentlemen, I want to point out that that represents the farmer who sells his milk at 60 cents a hundred. Now allow that man, who is doing all that work—and I don't think many of you would like to take his position—a dollar a day over the year. He would require to receive a dollar a hundredweight for his milk.

What I am working around to is, that his work should give the average farmer an average living wage and to do that he has got to get $1 a hundred for his milk; and that is without the haulage charge. That is allowing for the farmer living within a short range of the factory. If he has got to haul to a factory or creamery there will be 10 cents a hundred for haulage charge that can't be overcome. That still leaves him short, it will give him less than 5 per cent without wages, that is, at 60 cents a hundred. Now, gentlemen, I do not see for a moment how you could expect the farmer to exist on less than $1 a hundred a hundred for his milk without actually going behind. I am not saying they are doing it, because I know they are not. I might say that the most accurate estimate that I think has ever been presented on what a man should receive for milk going to the fluid milk trade and the creamery has been figured out by Dr. Reynolds, who was formerly dean of the college at Guelph. Dr. Reynolds has figured out that for the extra sanitation that is required for a dairy farm producing milk for the city plus the feed that has got to be produced to maintain an even supply through the year, the spread between milk for city consumption and

the milk going to the factory should be a minimum of 35 cents per hundred. I have never seen Dr. Reynolds work that out, but I think it is the most carefully worked out differential I have ever seen. That makes your milk $1.35. Your average producer of milk is paying an express charge of about 25 cents a hundred. So that it comes to the point that milk for the fluid trade delivered at any station at Montreal or anywhere else, to put the farmer on a sound economical basis, would require $1.60.

Now, that is as near a true picture as I can present regarding the production of milk for the city trade. In the discussion before this committee I do not wish to repeat what the gentlemen before me have said. I want to get before your mind a question that has almost always been entirely placed before the public wrongly, and that is the point that the price the farmer actually receives whereever it be is almost invariably the price f.o.b. station in the city. That belief has done the farmer a good deal of injustice. That is always wrongly represented in the press. The lower price has given the figure in relative proportion to the total price. How far this committee can go towards correcting the difficulties that we are working under it is not for me to say. There are three points to be considered. I may say that we do not expect at the moment, unless you men can do something that has not been done before, that you can get us what I have placed before you—something that would be a living price which we must have if we are to meet our overhead charges and maintain the standard of farming. I will point out to you a little later the danger that is going to accrue if that is not done. But there are three points that I think could be remedied to help the situation materially. The first and most important is the elimination of surplus. Now, I have drawn the picture of the cheese and butter factory producer, because, gentlemen, that is our potential source of surplus always, and you can readily see how that man is eternally on the watch for an opening in the city trade at the present time. That is why I have put this before you—the elimination of the surplus, because it is established definitely that all milk shall be paid for on a fat basis, and because of the independent supervision of the test. It is a matter of the establishment of confidence among the producers, and, as I can point out also, it is a case of more than establishing confidence—establishing fair treatment. Not that I am insinuating that the companies do anything wrong in this respect, but we can show you sheets which prove that some certainly do curtail us to that end. The third point is uniform inspection and the licensing of producers for the city trade, because I feel that until that is done the surplus question will never be successfully attacked. Uniformity of inspection and licensing of the premises to produce milk for the city trade should not be such a severe problem for the authorities who can enforce them whether it be the federal, provincial or municipal authorities. To-day the matter in that respect is chaotic with no party seeming to be willing to take an attitude to correct the situation.

When we come to the elimination of the surplus we are attacking what I consider to be our greatest grievance, and it is a grievance that operates against the producer, and it operates just as badly against the honest distributor. I have her a bunch of statements from not a small company in the city of Montreal by any means but rather one of the most widely advertised. Mr. Moore could tell you of the business it is doing. This bunch of statements shows that in no case did that company every pay more than 50 per cent of the milk at the market price and the other 50 per cent was surplus, and in some cases as high as 70 per cent. This is the case with one company about which we know. This is only one in the class; we know there are hundreds of others who are in just the same position.

By the Chairman:

Q. Would you care to file them?—A. Yes, you can have them. The man to whom they relate has been forced out of business, and they can't do him any harm anyway.

You see how this works out, we are all paid by the hundred while milk is shipped in eight-gallon cans; but I will say that for all the respectable firms—we check their weights with the number of cans and they will average around 80 pounds to the can—I don't think any respectable company is gyping its patrons in that respect at all but in these particular cases, and you can figure them out for yourselves, receipts show as little as 78 or 75 pounds per can—this was shipped in eight-gallon cans just the same as the rest of us do. That is what we found with that company.

Now, gentlemen, I think that the production of milk for the city trade is an important enough function for the good of the nation, that the man in that business should have a certain amount of protection, if you are going to have a supply of really good milk. If the situation continues as it is to-day in a very few years the milk for your city is going to be produced by a different class of men than those who have built up these farms and who are running them to-day, because they can't continue—it is impossible under the conditions that we are facing at the moment. And when you think about that problem there is one question I think should receive special attention, and that is the question of the cost of distribution. The first thing that enters into the cost of distribution is the overhead expense and the plants that have been built in more prosperous times. Many of the farmers in more prosperous times built really modern up-to-date barns and purchased good equipment with their own money, just as the milk companies built their plants. Is there any reason in the world why the milk companies should be allowed to figure their interest charges on their investment any more than the farmer should be allowed to figure his interest charges on his investment? Many of those men had not the money to build those plants, but they built them and mortgaged their farms to bring their plant up to the requirements of health regulations and modern standards. They borrowed the money to do it. Gentlemen, to-day a good many of these men have been eliminated; they are out of it; and I really do not see why in this country one class of people should be subjected to different terms and conditions than another. There is also in this respect that great danger referred to by the advertisements which appeared in the Montreal papers the other day regarding the danger line of good milk. Gentlemen, despite what may be done to milk after it reaches the city, milk is either good or bad when it leaves the farm. There is something that should be in the minds of all the consumers; much depends directly on the quality of the cows from which the milk comes, and to my way of thinking it does not matter much whether it is held at a properly controlled temperature or not.

Now, as regards this surplus, there are two methods, only two methods that appeal to me, by which the matter may be controlled; and that is to go back to the system we followed twenty years ago, to the straight contract basis—that your shipper shall contract to produce so many cans of milk every week of the year, because this is a 365-day business; and that when a man produces that milk he will be assured a market for that milk at an agreed upon price. If that is too difficult for present conditions then we have the only other alternative that appears to me at the moment, and that is the poorhouse. I think I am speaking for the large bulk of the producers when I say that the producers to-day will be perfectly willing to allow the distributors to take any two or three months of the year, take the producers' production for those two or three months and establish his quota on that basis. I believe he would even go further than that, although there is a danger in this, and allow a man's

quota for the next three or four months to be determined on what he had shipped on the three or four previous months. That would meet the fluctuations of the trade, perhaps, better. But there is a little danger on the point. We can assume that if he is equipped with cows he will have everything necessary for the production of milk and it is not likely that he is going to change his volume of supply later in the year without any considerable loss, and I think that the fairer way would be to establish his volume of production—I believe you could take any three months and take a man's average shipments per week for these particular months, and say to that man, that is your quota—we will accept from you at the market rate that much milk for the balance of the year. Mr. Moore mentioned here the dealers' objection to that is, that it would not be lived up. If one man won't, another will, and I am right here to tell you right now, there are enough good farmers in this country to-day to live up to that agreement if it is ever put into effect and the dealers know about it. I thank you gentlemen.

By Mr. Pickel:

Q. In your estimation of costs of production on this 100 acre farm, do you include any labour?—A. I have not allowed any.

Q. Just your family?—A. It is just the family.

Mr. TUMMON: In view of the fact that it is now after one o'clock and you propose to go to the House for permission for the committee to sit in the afternoon, I move that you try to get that resolution before the House as early as you can, and we shall probably meet to-day at four o'clock, as we have one other witness to hear.

The CHAIRMAN: If it is agreeable to the committee, we shall continue with this witness now.

Mr. PICKEL: Mr. Beauregard is here. He is a milk producer, and he wants to establish the prices he is receiving.

Mr. TUMMON: That is what we want to get, evidence of the price that the producers are getting.

By Mr. Cayley:

Q. How do you estimate monthly production; is it based on the previous month's experience, or the experience for three or four months. Would not the farmer have a surplus if that were the case?—A. He can regulate the amount of milk he is delivering. He is bringing in the milk according to the quota allotted him. If he is operating his farm then he is going to have more milk than his quota allows, he can at least save himself 25 cents on a hundred to take the milk into Montreal and take the same price that he is getting at home—

By the Chairman:

Q. It is really a method of curtailing production.—A. Well, it is either that or else he can scout around.

By Mr. Sproule:

Q. You are quoting prices on the cost of milk, how does that compare with butter and cheese factories?—A. I am taking the prices and the amount received from the butter and cheese factories this year.

By Mr. Tummon:

Q. Mr. MacMillan, in regard to your surplus, supposing you shipped ten cans of milk into Montreal this morning, you don't know how much of that is going to be surplus?—A. We do not know until we receive our statement, which in most cases comes on the 15th of next month, the month following shipment.

Q. Just one month?—A. The company I deal with pays twice a month.

Q. That is, the one who really establishes the quota to be shipped, is the distributor?—A. It is the distributor; we don't know anything about it.

Q. Now then, in regard to those who are prepared to ship into the city of Montreal, am I right when I state that first of all each producer must have his premises and his herd inspected by a representative from the city health department in Montreal?—A. Yes.

Q. When that inspection takes place and his herd or his premises are passed is he eligible to ship into Montreal?—A. For one year.

Q. Just for one year?—A. One year.

Q. Supposing it is a new man, how does he come to be able to ship, in direct dealing with a distributor, or how?—A. Well, living within the region of Montreal there are still a large number of butter and cheese factories. A pretty large number of those patrons have their premises closed. Supposing I am operating a cheese factory, have been sending my milk to this cheese factory, and in some manner the cheese factory closes down. My premises are inspected and everything being found all right, I am eligible so far as that is concerned, to ship my milk in. Now then, I have made my contact with many of the distributors. There are quite a number of men that have contact with the distributing firms. In the winter season, when the milk normally has become scarcer, they find it easy to ship the milk in.

Q. Do you know any companies in the city of Montreal that go out and sell stock to the farmers, and that the farmers must take stock in the concern before he becomes a shipper?—A. I cannot say that I am perfectly familiar, but it is done. We have record of that, particularly in the French sections. That has been done repeatedly. As Mr. Moore pointed out, perhaps 50 per cent of those organizations that have failed, the farmer, besides losing his milk which he shipped in in regard to the regular business of Montreal, has lost his stock as well. They have record of one man who has operated three times with the same heading under a different name in that particular scheme.

Q. Can you give us that man's name?—A. I am not personally acquainted with him; I do not know whether that is necessary.

Q. But you quite understand, Mr. McMillan, what we are after now is evidence. If we are going to be able to establish what the spread is between the producer and the consumer, we cannot go on hearsay; we must have evidence. That is part of the evidence that I think we must get out. I do not want to press you, but I should like for you to give us that man's name.—A. His name has been discussed in public many a time, but personally, I do not know the man, or whether I should give you his name, or whether you can get it from another source. You can obtain that by going to Montreal.

Q. How are we going to subpoena him if we do not know who he is?

The CHAIRMAN: This gentleman is under oath, you know.

The WITNESS: It is hearsay to me; I am not acquainted with the man. His name has been discussed.

Mr. TUMMON: I do not want to take the attitude of forcing something out, but I think some of those things are very necessary to have.

Mr. BOWMAN: Give it to the chairman, and he will look after it.

The WITNESS: Yes.

Mr. TUMMON: I may say that I have found out that in Ontario the situation is somewhat similar. There are a lot of farmers of Ontario who have been forced to subscribe for stock in order that they would be allowed to ship into Montreal to certain companies.—A. Yes, I understand that. In the section I come from and in certain sections of Montreal, that has been a very common practice.

By Mr. Lucas:

Q. When Mr. Moore was giving evidence I understood him to say that the average price the producer received at the station in Montreal was $1.35 per 100 pounds, or thereabouts.—A. Well, that is what we are supposed to receive.

Q. Twenty-five cents comes off that?—A. Which brings it down to $1.10.

Q. Now, when you were giving us an outline of your cost of production, I understood you to say that you as a producer received 60 cents a hundred?—A. No.

By Mr. Bertrand:

Q. Based on butter and cheese?—A. Based on butter and cheese. As I tried to point out, the closest differential we have had, the closest figure between milk and butter and cheese there, is 35 cents a hundred, and which would bring up the six per cent milk to 95, add 25 cents to that, and that milk would be $1.20 in Montreal. But I was pointing out that that was the situation we are up against, which would leave absolutely nothing for a man's own labour, or that of his family under that condition.

By Mr. Pickel:

Q. In making your estimate of the price that the producer received when he was getting $1.35 a hundred gross, what will that give you on the average?—A. I cannot answer that question, because that was the price which was established last summer, $1.35. I cannot answer it.

Q. That is taking into consideration the surplus.—A. Yes. I will answer that question. That was another experience that I think perhaps is just as favourable, and more favourable than any average shipper in Montreal, that is, for the entire year and part of this year. Now, I shall give the average for the year. The price last year was 1.70 for six months, and 1.35 for six. On the total shipment for the year, my average price that I received for 100 pounds net, was 1.12, but for milk, 3.8.

Q. 3.8?—A. 3.8, average price, 3.5, milk delivered to Montreal for last year. That is for the whole year, $1.12 and $1.35 would be $1.03. That is based on my own experience. I have it here month by month, the amount of surplus. I may say, last year, I shipped and had accepted—

Q. You shipped milk?—A. Yes, 137,106 pounds of milk, and I had 39,893 pounds surplus. And the surplus I had there was deducted, and it netted me on my quota 64 cents per hundred pounds.

By Mr. Bertrand:

Q. Will you put that on the file?—A. Yes. There is not much use going back to 1931, but this is my own experience for the year 1932.

The CHAIRMAN: Are there any more questions, or does the committee prefer to hear Mr. Beauregard now?

Mr. PICKEL: We may just as well finish now.

The CHAIRMAN: Very well, you are all agreed.

Witness retired.

LOUIS BEAUREGARD, called and sworn.

By the Chairman:

Q. Your residence is where?—A. Sutton.

Q. Quebec?—A. Yes.

Q. You are a farmer, Mr. Beauregard?—A. Yes, I am, quite lucky to be one. I don't know as there is much need of my trying to go into it, being the last in the row. There has been a great deal said in evidence, and I certainly can,

from my experience, approve of the picture as it was drawn by these three different gentlemen. Only one thing I remark that is my idea—you ask a man to come here who is doing business in Montreal. We have years past seen men get up and make different statements as to whether there were strikes for one thing and another. The producer has no recourse, and it is a known fact he takes what they give him, because he cannot do any different, and he has got to take it and say nothing, because he has no power against them. There is no question but that the producer is producing at a loss, if he keeps tracks of his invested capital, and if he reckons his labour at anything.

This surplus that they are talking about is true. Now, my experience—I have been shipping milk into Montreal for about twenty years—is that during the war at the highest point there was a spread of $2.40 when the cost of distribution, without a bit of doubt, was a great deal higher than it is to-day. If you go back to those figures of spread, it is more than that.

Under the condition, overhead should be less. As Mr. McMillan said, we know nothing of what we are going to get until we get our cheque. I have seen cases where, for instance, eighteen thousand pounds were shipped into Montreal. There would be six thousand paid a certain price, whatever was agreed to at the time; and six thousand at another price, a cut of about sixty cents, and the other six thousand cut down to $1.40. Those occasionally were different firms. They didn't all do it. There will be three different prices sometimes for two or three months in the year. Then there will be the standard price on the surplus. I know there have been firms out in Montreal coming back to the farmers, asking them to subscribe stock. This very last summer there were two different concerns in Sutton out to canvas for milk. Now, the question was asked of Mr. McArthur, I think it was, whether they were out canvassing. Well, in our section they were out canvassing, some of them to get the surplus milk. I know of one man, one concern, that had a man out on the road four months last year canvassing for milk. This firm was out and getting them to subscribe stock to the amount of $50 to be able to ship. They got a few shippers, taking in by truck. After, this stock was paid for by taking out of their cheques at the end of each month such a percentage. I was told that after the stock was paid, they turned down a few of them, shippers, giving the reason that there were not enough for their truck, and stopped—discontinued going with the truck; and by rail they could not go to the Windsor station for such small quantities. Nevertheless the stock was gone.

By Mr. Pickel:

Q. You have a truck going from the station, Mr. Beauregard?—A. Had we? Yes.

Q. You have a truck from the station?—A. There is a truck that covers—starts right from the American border, covers milk and cream both. There is two of them, one that covers the by-roads and centralizes it for the other truck to take. This truck takes it, and takes back different merchandise.

Q. Have you any reason to believe that that truck gets a bonus from the distributors?—A. I was told that this truck got a bonus from the distributors for bringing so much trade. What I mean, this truck is out; he is supposed to get the price of the railroad; if it is a distance from the railroad it will add a little as cartage to avoid carting to the railroad. On the other hand, if it is delivered at the plant, it avoids cartage on the other end.

Q. From the station to the plant?—A. From the Montreal station to the plant.

The CHAIRMAN: That is only hear-say, of course.

By Mr. Tummon:

Q. You don't know that for a fact.—A. I know it for a fact; but there are other things I cannot get out here and state that man's name. What I can state, if it is my own dealings, I was told so, but I would not care to mention the man's name.

By Mr. Pickel:

Q. What has been your price, the price you actually received net for your milk? How much milk do you sell? How large a dairy have you?—A. Why, I have got a dairy—I have to keep 108 to 110 head of cattle to maintain about sixty cows. We have to have so much young stock.

By Mr. Tummon:

Q. Mr. Beauregard, if I might just break in here—you are now shipping to Montreal?—A. Yes.

Q. You have no contract with any distributor in Montreal?—A. No. It is not done under contract. It is merely—

Q. Merely the way these other gentlemen have stated?—A. Just the way they said. Years ago I used to contract.

Q. What prices are you getting now for whole milk? Can you give that to the Committee?—A. Well, I am getting $1.35 for the milk that is used as fluid milk; and then whatever surplus there is, why, I have to take what I can get.

Q. The price you get for the surplus milk varies from time to time?—A. It varies from time to time. The least we got I believe was $1.05 for surplus.

Q. You are shipping your product into Montreal by train or by truck?—A. By train.

Q. By train?—A. Yes, by train.

Q. You said there were trucks covering your district and trucking up into Montreal. Do you know the cost per hundred pounds that these trucks are charging from the farm into the City?—A. There are cases of twenty-five cents nearby the railroad, you see; that is what the railroad would ask. Then you have to pay 25 cents a hundred as on the railroad; and nearby to the station the truck takes it just the same; and if they are off from four or five or six miles, there is an extra charge, five or eight or ten cents, additional to this freight charge.

By the Chairman:

Q. Do you think that is unreasonable?—A. Well, I don't so much think that the charge is unreasonable as I think at times those trucks gather milk that would not go into Montreal if it were not for the trucks, and at times take milk from uninspected dairies.

By Mr. Tummon:

Q. The trucks which?—A. The trucks take milk from non-inspected dairies. As they said, the factories are closed and they will take as winter shippers. That is, that the Montreal inspection never has been stopped. Sometimes it will be brought to their attention in the spring, and they check up a load of it at the plant. They may do that, but they have been shipping in all winter.

Q. You spoke a moment ago about a man canvassing in your district and selling stock, and the producer had to take the stock before he would be permitted to ship into Montreal. Do you know that man's name?—A. I don't know the man's name that was out canvassing; but I know who he canvassed for. That is the St. Lawrence Dairy. The St. Lawrence Dairy is the one he was out canvassing for,—their representative, that is who he was.

By Mr. Bertrand:

Q. When you said dairies a moment ago, did you mean herds?—A. Herds?

Q. Uninspected herds?—A. Yes, uninspected dairies or herds is the same thing.

Mr. GOBEIL: Farms.

Mr. BERTRAND: Or farms. Dairy farms.

The CHAIRMAN: Have you any further questions?

Mr. GOBEIL: Just one question, Mr. Beauregarde; according to what Mr. Beauregarde has just said, as well as one or two of the other gentlemen, I believe, it seems to be that the inspection, after all, in Montreal is not so severe; it is quite easy to go around it. It is quite easy to sell milk in Montreal that is not coming from an inspected farm, an inspected stable?

By Mr. Pickel:

Q. Unless somebody complants?—A. Well, I know this much; I know where there are inspectors do go very severely according to the regulations; I guess they sometimes do, where they do ask a little more than they ought to; but a good deal of this surplus milk is brought in from uninspected stables. Well, I imagine that the Board of Health is not aware it was in until they saw it at the station probably.

By Mr. Gobeil:

Q. They take chances.—A. Of course, this fellow that takes that, he is going to take it and take his load; he gets his cartage, until they get hold of it and turn him down or turn this dairy down. Why, he gets the benefit of it, but although it is surplus, this adds to the surplus. I have seen it years ago when milk was gathered in our section, and went to the States, and it has come back in car loads to Montreal, in a shortage in the winter. There the Board of Health could not be very severe, because that milk was at least three or four days old. It got in and it was all gathered from uninspected stables.

The CHAIRMAN: Are you satisfied, gentlemen?

Mr. TUMMON: Yes.

The CHAIRMAN: Shall we release the witness?

Mr. TUMMON: Yes.

The Committee adjourned, to meet on Tuesday, March 7, at 10.30 A.M.

APPENDIX "A"

DOCUMENTS FILED—NOT PRINTED

1. Report of the Reorganization Commission for Milk, 1932-33 (England), Sir Edward Grigg, Chairman.
2. List of Dairy Associations and Officers (Canada, 1932, 1933).
3. List of Principal Milk Distributors in Canada (1933).
4. Report of the Provincial Dairy Commission, November 12, 1932 (Quebec).
5. Milk Accounts rendered by Cousins Limited, showing allowances for milk and for surplus milk.

APPENDIX "B"

Gallons			
3,200	Coopérative de Lait et Crème de Montréal	4101	Notre Dame St. E.
3,500	Perfection Dairy Ltd	2565	Chambly.
225	Laiterie Desjardins	589	Desjardins.
100	P. Desrochers	35	Grande Allée.
1,700	La Laiterie Etoile Incorporée	4305	Orléans.
1,500	Montreal Dairy Co., Ltd	1200	Papineau.
2,800	Laiterie St. Alexandre, Ltée	263	3rd Ave., Longueuil.
500	Laiterie Rosemont Enrg	5778	1st Ave., Longueuil.
1,250	Laiterie Idéale, Ltée	2080	Lespérance.
300	Laiterie Dominion. Ltée	4166	Parthenais.
4,500	La Ferme St. Laurent, Ltée	6750	Garnier.
8,000	J. J. Joubert, Ltée	4141	St. André.
1,700	A. Poupart and Co., Ltd	1715	Wolfe.
1,700	Laiterie St. Michel, Enrg	4715	Ch. Colomb.
3,500	Laiterie Canadienne, Ltée	6728	de Gaspé.
1,500	United Dairy Co., Ltd	5244	Casgrain.
1,000	Laiterie St. Edouard. Ltée	6374	Drolet.
750	Lawrence Hope	774	Blvd. Gouin.
6,000	Borden's Farm Prod. Co., Ltd	1010	St. Catherine St. W.
7,000	E. Cousins, Ltd	175	Colborne.
350	Brookside Dairy Regd	941	Woodstock Ave.
8,500	Guaranteed Pure Milk Co., Ltd	1025	Aqueduc.
6,000	Elmhurst Dairy Ltd	7460	Western Ave.
200	Ad. Buchanan	455	Selby Ave.
600	Geo. H. Brown	9	Brooke Ave.
700	Underhill Farm Prod	2140	Church Ave.
400	H. Legault	6592	Briand.
400	Ferme Pointe Claire, Ltée	203	Lakeshore, Pte. Claire.
1,800	Nouvelle Laiterie St. Laurent, Ltée	33	St. Mathieu St.
600	A. St. Aubin	100	St. Mathieu St.
300	Monkland Dairy	177	Monkland Blvd.
500	W. Noel et Fils	Cote	de Liesse.
1,700	Laiterie Des Producteurs de lait	3641	Lafontaine St.

MEMORANDUM OF MILK PRICES IN MONTREAL, 1927 TO 1933

—	Price to producer per 100 pounds, delivered railway stations Montreal	Retail price of quarts	Pints	Dealers gross returns per 100 pounds based on quart price only	Dealers gross spread per 100 pounds for milk at railway stations, Montreal
	$ cts.	cents	cents	$ cts.	$ cts.
1927—Jan. 1 to April 30	2 80½	14	08	5 42	2 61½
May 1 to Sept. 30	2 03	12	07	4 65	2 62
Oct. 1 to Dec. 31	2 80½	14	08	5 42	2 61½
1928—Jan. 1 to April 30	2 80½	14	08	5 42	2 61½
May 1 to Sept. 30	2 03	12	07	4 65	2 62
Oct. 1 to Dec. 31	2 80½—8 months	14	08	5 42	2 61½
1929—Jan. 1 to May 31	2 80½—8 months	14	08	5 42	2 61½
June 1 to Sept 30	2 39	13	07	5 04	2 65
Oct. 1 to Nov. 30	2 80½	14	08	5 42	2 61½
Dec 1 to Dec. 31	3 20 —Nominal strike.	15	08	5 81	2 61
1930—Jan 1 to Jan. 31	3 20 —Nominal	15	08	5 81	2 61
Feb. 1 to May 31	2 80½	14	08	5 42	2 61½
June 1 to Sept. 30	2 03	12	07	4 65	2 62
Oct. 1 to Dec. 31	2 40	13	07	5 04	2 64
1931—Jan. 1 to Feb. 28	2 40 } 5.26c. per qt.	13	07	5 04	2 64 } 6·72c. per qt., 56·05 of C. dollar, produce 43·95.
Mar. 1 to May 31	2 03	12	07	4 65	2 62
June 1 to Dec. 31	1 70	11	06	4 26	2 56
1932—Jan. 1 to April 15	1 70	11	06	4 26	2 56
April 16 to Nov. 30	1 35	10	06	3 87	2 52
Dec. 1 to Dec. 31	1 60	11	06	4 26	2 66
1933—Jan. 1 to Jan. 31	1 60 } 3·69c. per qt.	11	06	4 26	2 66 } 6·28c. per qt, 63% of C. dollar. leaving 37% to producer.
Feb. 1 to Feb. 26	1 35	10	06	3 87	2 52
Feb. 27 to Feb. 28	1 35	9	05	3 49	2 14

	Price per quart to Producer	Dealers' gross spread per quart
1931	6·18 cents	6·80 cents
	5·23 "	6·75 "
	4·38 "	6·60 "
Average	5·26 "	6·72 "
1933	4·12 cents.	6·85 cents
	3 48 "	6 49 "
	3·48 "	5 50 "
Average	3·69 "	6·28 "
Decrease	**29·84 per cent**	**6·55 per cent**

	1932			
	Whole Milk	Price	Surplus	Price
	lb.	$ cts.	lb.	$ cts.
January	16,010	281 14	2,590	25 37
February	16,913	300 29	1,295	12 16
March	16,484	288 04	2,956	19 53
April	12,543	176 85	6,609	60 87
May	12,595	175 77	6,053	54 71
June	10,466	153 84	5,695	50 81
July	9,033	127 31	4,555	40 71
August	7,342	105 29	3,979	36 11
September	6,371	92 56	3,387	30 31
October	5,670	80 72	2,774	25 26
November	8,912	135 94	....	....
December	14,767	257 52	....	....
Total	137,106	2,175 27	39,893	355 84
Less express	....	342 75	....	99 48
	....	1,832 52	....	256 36
Net average price	....	1 19	....	0 64

Per cent surplus 29%.

Average price, $1.12 per 100 pounds.

NOTE.—This is for milk testing an average of about 3·8 per cent. This would make an average price for 3·5 per cent milk of about $1.03 per 100 pounds. (Three cents per point is allowed for all milk testing 3·5 per cent and a similar amount deducted for all milk testing under 3·5 per cent.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 7, 1933

No. 3

Reference,—Milk and Milk Products

WITNESSES:

Professor G. A. Toupin, Oka Agricultural College; Rev. Father L. Lebel, Montreal, Que.

Appendix "A"—List of Documents filed to date,—not printed.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 7, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bowman, Bowen, Boyes, Brown, Burns, Carmichael, Duguay, Dupuis, Fafard, Gobeil, Goulet, Hall, Jones, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Porteous, Rowe, Senn, Shaver, Simpson, Smith, Spotton, Sproule, Stewart, Stirling, Thompson, Totzke, Tummon, Weir (Macdonald), Wilson.

Mr. Tummon, chairman of the subcommittee reported that the following named witnesses had been called to appear this day, viz:—

Professor G. Toupin of the Agricultural College, Oka, Quebec.

Father L. Lebel, of Montreal.

Rene Trépanier, Superintendent of St. Sulpice Farms, Oka, Quebec.

(Witness Trépanier did not attend.)

That the subcommittee recommends that the railway companies be required to file certified copies of their milk tariffs presently in force.

That the proper official of the Montreal Health Department be summoned to attend on Thursday next.

The said report was concurred in.

Professor G. Turpin, called and sworn, addressed the meeting, answered questions put and was discharged.

Father L. Lebel, called and sworn, addressed the meeting, answered questions put and was discharged.

The meeting adjourned at 1.15 p.m. till Thursday, March 9, at 10.30 a.m

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 7, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: First of all, we shall have the report from the subcommittee on witnesses.

Mr. TUMMON: Your subcommittee considered the question, after the last meeting, as to whether we had all the evidence necessary from the producers' standpoint. It was felt by the subcommittee, that since those who appeared at the last meeting were English speaking, and represented perhaps the English speaking producers around Montreal, it would be no more than fair to have representatives from the French speaking people appear this morning to speak for them particularly or on the general situation. We therefore asked the Rev. Father Label of Montreal, and Professor G. Toupin, professor of Animal Husbandry, at Oka. I understand two of the gentlemen are here. I think you called Mr. Trepanier a moment ago, and he seemingly is not here.

Now, in conversation with some of the committee, in regard to transportation rates, we were undecided as to whether the general committee felt it necessary to call representatives of the railway companies here to give evidence in regard to rates, or whether it would be sufficient if the railways filed certified copies of their rates, and the quantities of milk moved into Montreal. Personally speaking, I am of the opinion that perhaps that would be sufficient, and would not entail the cost of bringing those witnesses here. I think that is a matter, Mr. Chairman, for the committee to decide. After that is decided, it is the intention of the subcommittee to recommend that representatives from the City Health Department of Montreal be called to give evidence in regard to regulations and such like in connection with the distribution of milk in Montreal.

Mr. BOYES: Mr. Chairman, regarding transportation, would it not be wise to have the rates so far as trucking is concerned, as well?

Hon. Mr. JONES: Mr. Chairman, I am not speaking in regard to the Montreal district, but in regard to the Maritime Provinces. We have never had any trouble with regard to the express rates down there. They are hauling milk down there forty miles for fifteen cents a hundred pounds. That rate is the same as it was thirty or forty years ago. During the war there was no increase. They returned the cans free, so I do not think it will be necessary to call the railways here in regard to that phase of the situation.

Mr. TUMMON: My point is this: this is an investigation, gentlemen. Your evidence or mine as members of this committee, is not considered as evidence. We undertook to try to find out what the spread is between the producer and the distributor. Now, in order to do that, we must have evidence of those things, even though we think we know them.

Mr. BROWN: Mr. Chairman, it seems to me the filing of rates would be sufficient evidence. The evidence produced so far would seem to indicate—I have been reading over some of the evidence this morning—that the railway rates are not really a big factor in the problem; but at the same time, I think it would be necessary for us to have that on file. I think the filing of the rates would meet our requirements at the present time.

Mr. PICKEL: I do not think there will be any difficulty in regard to railway rates. It is the truck rates we should enquire into. The witnesses have all agreed that the railroad rates are uniform and unchangeable, and I think if we can get to the matter of trucking, that would be all we would require, so far as the rates are concerned. If the railways filed a statement in regard to their rates, that would be sufficient.

The CHAIRMAN: There was certain evidence given the other day by Mr. Moore, and Mr. McMillan, as to the truck rates, but I think we should have a certified copy of railway rates on file. If the committee thinks it desirable, of course, we could get some more information regarding the rates of trucking. If you think it is necessary to call any more witnesses in that regard, I am in the hands of the committee.

Mr. GOBEIL: If we can get a certified railway rate we can rest assured that the truck rate is not higher. In almost every case it is a little lower, because no farmer would pay a trucker a higher rate than he pays the railroads; and he does not. In most of the cases it is lower; so if we have the higher rate, which is the railway rate, I do not see any object in our getting that. They vary with every truck, and they vary at every place.

Mr. BERTRAND: Mr. Tummon made the report, and the only reason why we are asking this committee to pronounce on it is that the subcommittee was undecided as to whether we should have more evidence given on those rates. Consequently we are simply placing ourselves in the hands of the committee as a whole.

The CHAIRMAN: Would it be satisfactory to the committee if the railway companies filed certified copies of their rates? (Carried.)

The CHAIRMAN: Then, in regard to the calling of witnesses for to-morrow—

Mr. TUMMON: It was intimated to me there was likely to be a caucus to-morrow by our Liberal friends.

The CHAIRMAN: If we are going to interfere with party caucuses on either side, we shall not sit.

Mr. BERTRAND: We would prefer to have it Thursday.

The CHAIRMAN: Then, the suggestion of the subcommittee is, that representatives of the Board of Health, of the city of Montreal, be called on Thursday. Is that satisfactory? Carried.

The CHAIRMAN: Now gentlemen, we have with us this morning, as you have understood from Mr. Tummon, two gentlemen from the province of Quebec. We shall call first Professor Toupin, of the Agricultural College at Oka, Quebec, and ask him to give his evidence. It is customary, Professor, to have witnesses sworn.

PROFESSOR G. TOUPIN, called and sworn.

Mr. Chairman and members of the committee, my first word will be to ask you to be very indulgent; for the report I intend to present to you will be presented in English. If I were dealing with this matter in French, I think I could be more interesting and more precise. The questions I want to submit to your attention deal with the present state of milk production in Two Mountains county. The facts I will present to your attention, are drawn from a report of the Two Mountains Cow Testing and Feed Association I have organized, and directed since 1926. My report will deal particularly with the cost of the production of milk sold on the Montreal market. In order to be as clear as possible in my statement, I will deal with this year. I would point out to you first, the average production per cow in our association, and the approximate average per cow in the rest of the district. I will quote to you, through our

figures, the cost of the feed for 100 pounds of milk, through a formula used in the States, and used in Canada; that is, to draw the ratio between cost of feed and the total cost of milk production. I will draw a conclusion on the approximate cost of milk shipped on the Montreal market, and I will conclude by pointing out to you the influences in regard to the low price of milk in our district, and I will submit to your attention a few direct and indirect remedies for the present state of production in the Two Mountains county. In order to understand and to have a clear idea of the actual present state of dairy production, we have first to establish the average production per cow, because as you know, the average production per cow deals with the cost of production. If the production of our dairy cows is low, it means a high cost of production. If the production per cow is high, it means a smaller cost of production. Consequently, the yield of milk per cow influences a lot the margin of profit. Therefore, it is very important for you members to have an idea of the average daily production per cow in our district.

Basing my statement on the last report of our cow-testing association, forwarded to the provincial Department of Agriculture last June—our yield runs from June to June—the average production of our cows in our society was 8,111 pounds of milk per cow, average test 3·47, pounds of fat 281·73. There are forty-two members in our association. Sixty-seven cows had completed their record on the first of June, 1931. We are reporting, consequently, these figures, on the production of sixty-seven of our cows on the first of June—last June, 1932.

What is the approximate average production of cows outside our organization? I am basing my statement on a group of producers who joined our society the first of the year, because every year our society is accepting a certain number of producers. Sometimes we accept ten, eight, five. If I base my statement on the average production of our farmers shipping their milk on the Montreal market, I think the average should be around 6,000 pounds of milk, in our district. I think that is about correct. That is about correct, about 6,500 per cow—6,000 pounds of milk is about right. That may appear to you as a high average, but we have lots of black and white cattle, and pure bred Ayreshires. This is a district that is fairly well advanced in live stock. We have two breeds, Holsteins, black and white, and red and white, and they are spread pretty well over that county. They are pure bred cattle, and I think that is responsible for the high average outside the members of our society. In 1926 we organized a society in our district. I think it would be interesting for you to know the program of this society, which is quite an old one. This society has no board of directors; the members do not pay any fee. We direct the society alone, and each member has to sign a contract for five years, and he obligates himself to operate not only under one article of our program, but under every article of our program; and if those farmers do not submit themselves to the appliances of this program, we simply ask them to drop out of the society. They are obliged to make a monthly report to us, mainly on the price of milk, and feeds. There are blanks or formulae which they have to fill out each month, describing the ratio of milk prices to the feed consumed. They have to report the price of milk they receive from the Montreal market. Consequently, we have lots of figures available on both the cost of feed and the price of milk paid to these farmers.

In our report from June, 1931, to June, 1932, the cost of feed to produce 100 pounds of milk was 73 cents. June, 1932, to June, 1933—that is to say, in the report which we will present next June—we are practically sure, because we have sold the feed, the feed is in the barn—that the cost of 100 pounds of milk will be 70 cents. In using that figure I do not think I will commit a mistake of more than five per cent. As I said to you, we know the price of hay,

the price of ensilage; we know the price of grain, and the price of concentrate; because we bought those concentrates last fall. Most of our farmers have their feed, and through the monthly report we have, we think that next June we shall report that the cost of 100 pounds of milk will be around 70 cents.

By Mr. Gobeil:

Q. Feed cost only?—A. Feed cost only. We deal only with the feed cost.

Now, I want to draw your attention to the fact that you must not forget that this year some are under the impression, that due to a reduction in the single concentrates—I mean by that, single feed, such as oats, barley, bran, middlings, single feed proteins—some are under the impression that the cost of feed for this year is less than the cost of feed for next year or two years ago. That is not correct, and I shall tell you why. It is due to the fact that in the province of Quebec last year we had a very poor crop of hay. We did not get any clover hay. We are feeding our cattle with mixed and timothy hay; consequently it has forced our producers to use less farm grain and to buy more protein feed; and as you know, protein feed costs more than carbohydrates, hay, or farm grain. The price of the concentrate is fixed to a certain extent by the price of a single feed; but to a great extent, by the combination between farm grain and protein feed. Last year we were using less protein feed in our mixture than this year. You understand that. This, consequently, is responsible for the condition I mentioned to you. Last year, if I wanted to be very precise, the cost per ton of feed was $22.80. This year it is not less than $23, and closer to $24, and I will tell you why. According to our report, our farmers to-day cannot use more than seventy per cent of farm grown grain. They have to buy thirty per cent of protein feed. They have to buy foreign feed in order to balance their rations. The next year, and two years ago, due to the fact that they had a bigger crop of clover—

Mr. GOBEIL: Last year.

The WITNESS: Last year, and two years ago—last year they had more clover, and two years ago they had still more clover. Consequently they could use less protein feed. Conclusion: June, 1932, to June, 1933, we think that the cost of feed for one hundred pounds of milk will be around seventy cents, the price of feed, the net price, after having deducted the cost of transportation. June, 1930, to June, 1931—which was the golden age—our farmers received an average of $2.16 per one hundred pounds for milk. June, 1931, to June, 1932, they received $1.34—$1.34 all the year around. In the report we made last June we have reported that our farmers received for one hundred pounds of milk $1.34. Our prediction for June, 1932, to June, 1933, is $1.05. Now, I will try to prove to you that it will not be higher than $1.05, in spite of the fact that our dairies claim $1.60 and $1.35 per hundred pounds of milk. Our farmers, from June, 1932, to June, 1933, will not receive more than $1.05—not a great deal more, and here is the proof of that.

June, 1933, July, August, September and October, five months, the gross price on the Montreal market was $1.35. Our farmers have received during these five months only ninety-five cents for one hundred pounds of milk. They have been cut. Well, they have two or three kinds of cuts; it is pretty hard to understand their reports; it takes patience to understand the number of the cuts which appear on the slip.

By the Chairman:

Q. What percentage of butter fat are you referring to in that?—A. Well—

Q. The standard?—A. The standard.

By Mr. Bertrand:

Q. 3·5?—A. 3·5.

By the Chairman:

Q. 3·5?—A. 3·5. Well, however, I should say that some of our producers are shipping to some dairies, and those dairies do not require any percentage of fat. They overlook that question. They buy their milk on a flat rate. Some give premiums.

By Mr. Goulet:

Q. Do not they buy on the basis of 3·5?—A. Some dairies in Montreal buy milk on the flat rate basis, without considering the percentage of fat, while others take 3·25. Some require 3·5. The big dairies in general require 3·5 and they give a premium—

Q. Do you mean to say there are some dairies in Montreal that receive your milk without considering the value of the milk, without considering the richness of the milk?—A. There are some dairies in Montreal who accept our milk without paying too much particular attention to the percentage of fat. They take our milk—provided you give them milk of 3·3, 3·2, they overlook quite a lot on this question.

Q. Supposing it is only 2·8, what do they do then?—A. As a matter of fact, I have some members in my association who are shipping their milk to the Montreal market with milk of 2·8.

Q. Are they paid the same prices?—A. Well, it depends—if they ship to a dairy that I have in my mind, they will be paid the same price. They are paid a flat rate.

The CHAIRMAN: I should not have asked that question. It has been customary to allow the witness to make his statement and ask questions later. Perhaps you had better continue and leave that until later.

The WITNESS: Now, the net price for June, 1932, to June, 1933, will be approximately $1.05, and here is the reason why I make this statement. June, July, August, September and October, five months, they have paid for our milk ninety-five cents; and to find out this ninety-five cents, we divide the total amount of money marked on the slip on the monthly report of the dairies by the total quantity of milk shipped, minus the transportation. Nineteen hundred and thirty-two, November, the gross price was $1.35, but there are cuts; our farmers received $1.20. December, 1932, and January, 1933, two months, the gross price was $1.60, but our farmers received $1.35. Now, for February, March, April and May, the coming months, basing our argumentation on what they are paying, and what they were paying yesterday—on what our farmers were receiving yesterday, from the last report we received two days ago, according to our last report we have booked, we have entered in our books an average of one dollar. Now, if you work on an average from these figures, you will come to the conclusion—five months at ninety-five cents; one month at $1.20; two months $1.35, four months at $1—that the price that our farmer will receive, the net price our farmer will receive will be around $1.05.

Now, what is the loss, with this price, with the cost of feed on one side, and with the net price that our farmers are receiving on the other? Is it possible to draw a conclusion of profits? Or, if we may speak of profits in the broader sense of the word, is it possible to draw a conclusion on the present economic state of our farmers? I think we may, by applying a formula; and here I want all of your attention. We have worked out a formula to find out the minimum cost of production and the maximum. We have worked out a formula, and this formula is this: What is the cost of feed in proportion to the total cost? If we study the different surveys made in Quebec in these last years, made in the States, we come to the conclusion that the cost of feed to the total cost runs between forty-five to fifty-five per cent, and that is a very conservative figure. If I wanted to push the formula more, we might extend

this formula from forty to sixty, but I want to stay within the limit, the full limit of the truth. If we take the formula of the cost of feed to the total cost runs between forty-five to fifty-five per cent, we come to this conclusion, that when a farmer pays seventy cents for feed, the total minimum cost of milk is $1.28, and the maximum is $1.55. My opinion is that the total cost of milk production to-day runs between $1.28 and $1.55; and if we wanted to be a little bit more generous towards our farmer, we should take a lower minimum and say that the lower minimum which we put at $1.28, should be around $1.20, to $1.70. We should take a bigger margin. But as I say, I do not want exaggeration, which is not correct. I want to stay within the limit of a moderate figure; and I think that through our figures, the total cost of milk to-day runs between $1.28 to $1.55.

What is the loss, then? We receive $1.05 for our milk. We will receive—when we will close our book on the 1st of June, 1933, when we will make a report to our farmers we will have to tell them that if we want to take into consideration all of the factors to deal with the cost of production—we will have to tell them that they are operating at a loss, running from twenty-three to fifty cents per hundred.

By Mr. Dupuis:

Q. Does that amount of $1.28 include salaries?—A. Yes; in $1.28 all the factors involved in the cost of production are included—all the factors.

Conclusion: What is the influence of such a state of production? I prepared last summer a report for the Quebec Dairy Commission. What I have said in this chapter on the influence of the cost of milk has changed a lot since June. I have a note I prepared last June, and I have marked in the margin incorrect statements for this year, because the situation has changed a lot since a year. Last June the influences of the low price of milk were not yet very apparent, on breeding, on feeding, on the general economy of the farm. It was conclusively apparent this year, the low price of milk has big effects on farming, in general. First, on breeding. The low price of the milk has a great effect on breeding, in the state of our calves and our young stock. The young stock are in very poor condition; and if the situation continues very long, I don't know what will happen to the quality of our stock. On feeds: our farmers did not feed so much in general this fall or winter as they did last year; and you all know that last fall, on the Montreal market, we nearly faced a panic. I know that the milk dealers will not say that. I know they will claim that last fall that they did not face a panic, but they were nearly facing a panic last fall in November, due to the big shrinkage of milk on the Montreal market; and you should find out about the milk that they found in October, November and December, where they took this milk. It is your duty to find out where the milk they found in November came from. In my district, milk was shipped on the Montreal market that I would not have liked to feed to my children; and it is a point—it is a field which you should investigate.

Anyway, due to this panic, due to the shrinkage in the milk available on the Montreal market, they tried to find milk here and there. They had raised the price materially to our farmers for all feeds, and they had reduced the price of milk; what is the effect of that situation on general farming? It has a terrible effect, and I want to prove it to you through figures—well, it might take too long.

Anyway, to-day with the present condition, the farmer whose cows do not produce at least 8,000 pounds of milk, is in a very bad shape. Any farmer whose cows do not produce 8,000 pounds of milk is in very bad shape, because the margin—because the share for his labour is so small that he cannot find any money to pay his taxes, and he is in very bad shape. Consequently the influ-

ence on breeding, on feeding, on general farming—the consequences are far too serious. I do not want to take too much of your time; you know that better than I do.

Conclusion: price of milk, $1.05; cost of milk $1.28 to $1.50, loss per hundred, 25 to 50 cents. The influence is very bad, very bad. If the present state continues, well, the first thing we will find is very poor milk on the Montreal market. The quality of the milk will decrease. It is impossible for a farmer to keep the standard of his milk up, in the present condition. It is impossible, and consequently it is a great menace to the citizens of our large city; and to me, if you want my opinion, that is what is frightening me most. I am worried about the people of our large city; I am worried about them. I am worried about the health of our children in our large city; and a measure, a very quick measure, should be studied in order to protect the population of our large city. If the price of milk continues to go down, my opinion is that the quality of milk will decrease, and it is a great menace to the citizens and to the population of our city; and this will justify us in submitting to you a remedy in a few minutes. That is the short conclusion.

Now, I don't want to deal, in detail, with the grievances, with the complaints of our milk producers. I will just give a resume of the grievances, the complaints of our milk producers very shortly. You should understand that in such a state our milk producers have grievances. You know that well. What is the biggest one? Lack of contract, that is the big one. Lack of contract between milk producers and dealers. Gentlemen, I have been in charge of a Cow Testing and Feeding Association for six years. I have been mixing with the farmers for a certain number of years, consequently, I am facing problems with the farmers. In other words, I am trying to balance their budget. Can you imagine a man who is able to balance his budget, when he has on one sheet only the probable expenses, and when he cannot find out the probable revenues? To lead a horse we need two ropes. When you have only one rope, you go in the ditch. That is what is happening to our farmers to-day. They have only one rope in their hands. I am very sorry to-day, to have contributed last fall in the unloading of car loads and car loads of feed in my district, because I believed the word given by some of our dairies in Montreal, that prices of milk would remain around $1.60: We have gambled. I told the farmers to buy feeds, that it is the time to buy feeds, the price of milk is high due to the panic we had last fall. I expected the price of milk would remain high until May. Consequently it would be a good thing to buy feeds. We bought feeds last December, car loads and car loads of feeds. Two months later, after having bought our feed, the drop came in the price of milk. Well, I feel embarrassed. I feel very embarrassed, before the members I am dealing with. I feel very embarrassed because I ask myself—well, I am lacking in judgment. I put my confidence in an organization and they have fooled me well. I am in the position of a broker who has told his customer "Buy," and two days after the market dropped. It is an awful thing. We were told that in Quebec last summer, and I am pleased to repeat that statement in front of you members, you should find out a way of binding the milk producers and milk dealers through a contract; because if you do not find a formula along that line, we are indirectly contributing to the poor state of farming.

A few years ago those who produced milk knew that in November the price of milk was fixed for eight months, and in June the price of milk was fixed for four months; the farmer then could balance his budget. To-day he is not able to balance his budget; and I know personally some milk producers who are on the street to-day. Why? Simply because the milk price has ruined them. You know that in general you cannot be a milk producer without feeding. You know that well. A man who produces milk for market is a feeder.

He has to feed, and feed costs; it is a tremendous item. Feed cost is a tremendous item. It is a gambling item. When we buy feeds we are gambling, and it is not very paying gambling these days. But there is the position, and it is a very awkward position. What is the reason that our milk producers are gambling? They are forced to gamble to fulfil their contracts.

Now, another weak point is the insolvency of some dairies. Some dairies are in the Montreal market, and I think that some dairies are on some other markets, that should not be there. They are parasites, sucking the blood of the farmers. They should not be there. They should not be on the market, and you should find a formula to take away from the market this tremendous group of—

Mr. GOBEIL: Profiteers?

The WITNESS: I don't know what kind of expression I should use for them.

The CHAIRMAN: Bandits.

The WITNESS: They are a kind of bandits, anyway. They buy milk from one farmer for two months; after two months they close the concern.

Mr. SPOTTON: Racketeers.

The WITNESS: Racketeers. You should find out a way of clearing the market of those fellows.

The price of milk is not logically fixed. It has varied. That is the particular grievance of our farmers. They claim that the price of milk is not fairly fixed; and that is true; it is absolutely true. A commodity so important as milk calls for special legislation, and I will come to that later on. The price of milk is varying, and unfairly fixed—no proper basis in the regulation of milk prices. It is illogical to support longer such a state as the present one.

Now, another grievance is the unjustified cut in their milks. Is it just for a farmer to ship—to organize his dairy barns, according to the Board of Health for Montreal regulations, ship his milk for consumption, and have his milk classified as milk for manufacture? It is absolutely unjust. A farmer ships six hundred pounds of milk per day; two hundred pounds of his milk will be classified as milk to be sold in nature, and four hundred pounds in the dairy. Why not ship his milk to the cheese factory or butter factory at the corner of the road? Then, in dealing with the matter of having a regulation to control the surplus of milk on all the dairy markets in Canada, we should define what is a milk dealer. The law should define that. What is a milk dealer? A milk dealer is a man whose function is to distribute cream and milk on the Montreal market. His function is not to manufacture cheese and butter. He is not a manufacturer of cheese and butter. If he is a manufacturer of cheese and butter, well, he must be placed in a concrete situation for that; because if he produces cheese and butter, he is in the same position as a man who is in a small village manufacturing cheese and butter. The stable has not to be in the same condition as the one who ships his milk to the Montreal market. This means that we should have some way of regulating the surplus milk on the Montreal market.

Our farmers have another grievance. They can dispose of their own surplus. The farmer who has shipped six hundred pounds of milk, 400 pounds are sold as in nature, 200 pounds for butter fat. Why not give him the privilege of keeping his 200 pounds and shipping to the butter factory? Why leave his 200 pounds of milk in the hands of Mr. so and so? He will dispose of those 200 pounds of milk very well. It is unfair. But you know that our dairies, our milk dealers do not give to our farmers the privilege of disposing of their surplus. They cannot dispose of their surplus. The milk dealer disposes of their surplus.

Another grievance is that there is no proportion between the retail prices and the price they receive for their milk. Last June our farmers were receiving

only 35 per cent of the retail price; the dealers were receiving the balance. This means that there is something wrong in the organization. We have to come to this conclusion: the big margin is on the side of our main dealers. There are certain facts responsible for that, and we should study why there is so big a margin between the price a farmer receives and the retail price. That is a resumé of the grievances of our farmers.

I am coming now to the remedies. I have not the audacity to come here this morning with remedies to the situation; I will make suggestions. Let me draw your attention to a principle you should admit. There is no concrete, absolute remedy to the present situation. It is hard to find a remedy which will cure the evils; it is pretty hard. In agriculture it is better to prevent a situation of this kind than to try to cure it through direct orders. However, something should be done, something can be done to bring some relief to our farmers. It will be hard. It would be easier if our parliaments were able to face the situation with acts—the situation could be settled very quickly. But I am rather under the impression that maybe our governments, both federal and provincial, won't go so far. At any rate, my opinion is that direct remedies are hard to find and difficult to apply. We should try something. Here is one. You should accept my proposition in good faith and open mind. First, a coercive association of milk producers—a compulsory association. I wonder if it is feasible that the government will enact, will pass a law obliging each milk producer shipping his milk to one city to have a licence or to be a member of an association by paying a fee of one dollar. We will thus force our milk producers to join a society. We need a society. We are badly in need of a milk producers' association. It is not an easy job to organize into a society all the milk producers. I know that by experience. But why not oblige them?

A MEMBER: What is the use?

The WITNESS: What is the use? The use is in having a society of that kind that will be for those three points. First, it will deal with three points—first, price fixing; second, control of the surplus at Montreal. I will explain that to you later. We have found out that our milk controls the surplus. If we want to control the surplus, we must convert our milk producers to this idea that our milk producers through their society should understand that they have to control the surplus. This means that we should eliminate a certain number of milk producers. There are too many milk producers in our dairy milk market. We should eliminate them. In order to eliminate them through practical methods we need an association. I will give you a formula to eliminate them—through the scoring of stables. To eliminate a certain number of them our association will pass regulations. Each farmer whose stable does not score so many points will be the first one to be kicked out of the market. The government cannot go so far as that, but an association may pass such regulations for the milk producers. Look at the situation to-day. We have some members to-day who have been kicked out of the Montreal market—pure bred cattlemen, men who have a big invested capital and cowbarns have been thrown out of the market. They have lost their market to their neighbours who have small cows and more or less good stables. I do not know why those stables have been accepted. That is the minimum to be accepted on the Montreal market. One scored 80 per cent, the other scored around 55 or 60 per cent. One is out of the Montreal market and the other one is on the Montreal market. That is not fair. If we had a big association, these milk producers could study their problem together and find out a way of controlling the surplus. The aim of milk producers should be the study of price fixing, the study of controlling the surplus among other things. After all, it is illogical for milk producers to be fighting against milk dealers. They should understand these things very well. They should co-operate together.

If we want the co-operation of these two groups of men, that co-operation can come only by the formation of a big association on the one part and a big milk dealers' association. We should have an association. That is one remedy.

Second; a contract should be passed—the passing of a contract between the association and the milk dealers—and this contract should include many points, and mainly this one. First, the price of milk fixed either between this association and the milk dealers—but I would prefer the appointment of a commission to fix the price between the two groups. However, a contract should be signed between the milk producers on the one hand and the milk dealers on the other.

Now, there is a third remedy. The price should be fixed—I know that this will appear to you to be a rather radical or drastic proposition, but I feel it is for me to propose it—to my way of thinking the price of milk should be fixed and re-enforced by law, either a legislative enactment or a federal one, and the legalized price of milk given by the commission. In other words, if at last June a commission had said that the price of milk should be $1.25, well, through a federal or provincial law it should be admitted by the milk dealers. This law should bear on two points: the price of milk fixed for the producer, and the price of milk fixed for the consumer, and let the dealers fight between each other on the margin. Let them fight; but we will fix the price for the consumer and we will fix the price for the producer.

Now, this proposition may appear to you dractic; but if you ask me why I go so far I will tell you why. We should go as far as that for a certain number of years. I have only one argument to justify such a drastic measure. I am afraid of the quality of milk on our markets in general. I am afraid. In speaking that way I think of the children; I am thinking of the babies. I cannot understand why if we may sell milk it should be milk in the country at $2 per hundred. I cannot understand that and keep the quality and keep the standard. Now, this is so important a commodity that it justifies parliaments to legislate on this question; and if it is necessary to keep up the quality of this commodity to fix the price to our producers and to fix the price for the consumers, go to it; and I am convinced it is necessary to go as far as that. It is done in some other parts of the world. It is done in the United States to-day. That is a war measure; that is a special measure; it is a crises measure. Well, to my mind, I think we should go as far as that. We should have an association. We should bind milk producers and milk dealers through a contract. We should have a commission to fix the price. The government should have a law to give full application to the price fixed for both consumers and producers. Now, we should have a measure or a law to take out of the market all milk dealers who are insolvent, and the price of milk should be fixed twice per year—in October and in June. These are the direct remedies I am thinking about: an association, a contract, price fixing—a governmental commission to fix the price, a commission composed of producers, consumers and technicians—and a law to chase the insolvent dealers, and to fix the price twice per year.

Now, with regard to indirect remedies. I believe more in the indirect remedies as a base upon which to fix milk production. I feel at my ease to say that, unfortunately, we are devoting too much of our efforts to finding direct remedies, and we overlook in general too many indirect remedies. This is a hygienic condition. You know it is pretty hard to apply hygienic measures. It is easier to buy pills to cure our diseases. We believe more in pills than in hygienic measures. In agriculture it is the same thing. When I look back eighteen years—because I have been dealing with agriculture for eighteen years—I find in my notes more measures to solve the agricultural problems through direct measures than through indirect ones, and it is bad. Well, what are the indirect remedies? The first indirect remedy to my mind should be the tackling of the question of our dairy herds through county associations. I wonder if

there are any representatives of the Department of Agriculture here? I am pleased to see the ex-Minister of Agriculture, the hon. Mr. Motherwell before me. To my mind, in the past we have tried to improve our cattle by working with the individual. That was good enough ten, fifteen or twenty years ago, but to-day we have to change our procedure. That time has passed. We should work through associations, through county associations for the improvement of our cattle. Why? Because that is the only way to convert our farmers to the full appliance of the whole doctrine of dairy improvement. There are about seven factors of control among the milk producers. The code or doctrine of milk production is a resumé of seven articles. If you deal with only one—if you intend to improve cattle only with the bulls, or only by improving farming conditions, or if you work no other factor—if you do not work all the factors together I do not hesitate to say that your work will not prduce much result. I do not hesitate to say that because I have been conducting a service for six years and I have facts. I have been talking on this question for quite a while. I am quite at my ease on this question, because 95 per cent of our men have no figures on this question, and I have figures. If I judge the work done for dairy improvements in the past I say that we have to change; we have to change our method of procedure, and we have to turn our efforts towards groups. We should have in each county thirty, forty or sixty farmers interested in milk production bound to a program of action, and we should say, "listen, if you want the help of the government or the public service, if you want public money for the improvement of your cattle, here is what you will have to do: you cannot work for nothing; you will have to apply this and this and this." Now, I have done that in Two Mountains county for two years, and I am very proud to say that we have come to a very extraordinary result in our averages. In 1926 when we started this association in Two Mountains country the average production of our cows was 4,600 pounds of milk. In June, 1932, it was 8,111. We have doubled the production. What is the consequence of that? You have that in the article I published last month. Last year those who had a herd producing 10,000 pounds of milk were producing 100 pounds of milk at 50 cents for feed costs, and those whose cows of 5,000 pounds of milk were producing milk at 85 cents for feed costs. The improvement of our herds is the best way to increase the profits—but not by the top, by the bottom. To-day we are working from the top. We say that we want a bigger price in order to enlarge the profits. If we would look down, it is easier by lowering the cost of production. And my modest opinion is this that in lowering the cost of production the lone, isolated farmer cannot apply the complete doctrine of their improvement. A man of general knowledge is not able to control the milk of his cows nor is he able to buy feed. The county organization deals with the buying of feed. Do you know how much can be saved per ton of concentrate? It will take too long to discuss this tableaux, but the difference per ton of feed runs as high as five dollars to $5.65 of a difference to the person who is buying his feed alone, with nobody to help him. Another farmer is buying through a group with a technician to instruct him and give his advice, and he will save $5 per ton. Do you know that a cow requires one ton of concentrate, and if a man has twenty cows there is a saving of $100. That is a saving sufficient to pay road taxes and many other taxes.

Now, with respect to indirect remedies, the government should study a way of helping these county associations. I believe more in the small association than in the big one. Each county in Canada should have a live stock production association for the improvement of dairy cattle, and the first result will be increasing the production per cow.

Mr. PICKLE: Mr. Chairman, if you will excuse me one moment, we have had very valuable information from Professor Toupin, but our time is limited. Now, he has established the fact of the price. That is what we are after.

He is now entering into an academic discussion which is perhaps very interesting to an agricultural society, but we cannot go into that now. We want to establish the price—the spread between the producer and the consumer. He has established the fact that the average production of the dairies under his control is 6,000 pounds. The professor, I am sure, will gladly acknowledge that that is far too high for the average dairy in the country. Now, so far as production is concerned, he has pretty well established the fact that the more you produce the more you lose. That is about all there is to it. Now, we would like to hear Father Lebel and we will not have time to go into this part of the discussion.

By Mr. Thompson:

Q. I understood the speaker to say that milk from herds that were not tested and from stables that had not been inspected was finding its way into the markets of the city of Montreal. I would like to know through what channels this milk goes to be sold in Montreal? How is it that milk from those stables that are not inspected and herds that are not tested is at the disposal of the milk distributors?—A. It is hard to explain the organization they had in Montreal last fall, but here are the facts. A truck stops at a farm after 7 o'clock and buys three cans of milk and goes to another and at 11 o'clock it goes to Montreal with a full truck. I do not know what kind of an organization they have, but that is the fact. Indeed, the Quebec Milk Association have found out these facts, and they have submitted them in their reports and regulations. They have asked the provincial government to pass a regulation forbidding all transportation after 7 o'clock. Consequently, to cover that point, I cannot explain to you what organization they have to pick milk, but I know they are picking some.

Q. In other words, they are practically bootlegging?—A. Certainly, that is bootlegging milk. That is what they call them—milk bootleggers.

Q. I think that is a question that should be looked into. There is another fact that struck me, and I would like to ask a question about it. Is there no regulation in the city of Montreal whereby milk of a certain percentage of butter fat is called for; is there no standard set by these dairies?—A. Yes, there is one.

Q. I understand you to say that some companies were accepting milk on a flat basis without having any standard of butter fat?—A. Last December I placed two dairy producers in the dairies of Montreal, and they have passed a written note, and the question of percentage of fat was overlooked providing the milk came to a fair average. This has not been marked in the contract. You say, "don't you insist on the percentage?" Well, we do not. All the milk is good, and they have overlooked the question; and this milk is paid for on a flat rate basis.

By the Chairman:

Q. I understood that the professor was nearly through with his statement. He has given us certain methods that he thinks should be employed legally to overcome the situation that exists, and then he was giving us some indirect methods?—A. I was dealing with my indirect methods. I understand that my speech has been very long.

Q. Not at all?—A. I will outline them.

By Mr. Pickle:

Q. Since you are on the cost business, would you give the committee the benefit of your experience as regards buttermilk. Does the farmer receive anything for buttermilk?—A. They do not receive anything for buttermilk. We sell our milk in nature.

Q. There is a big surplus of milk in the city of Montreal?—A. We do not receive anything—the dealer does not give anything for our buttermilk. My answer is based on the report of the members of our association. The members of our association do not receive anything for the buttermilk.

Mr. GOULET: Nobody does.

Mr. PICKLE: Yes. The distributor does.

The WITNESS: Among the indirect remedies I have one to arrive at a lower cost of production, and I think we will arrive at this aim through the organization of county associations—livestock production associations in the counties—in order to work thoroughly on the cost of production and to control all the factors of milk production. Now, through these societies—I think through the organization of these societies in Ontario particularly, and in Quebec—these societies should buy and should become the owners of butter and cheese factories, transfer their milk, and ship their milk in whole. But my aim in Two Mountains county is to organize a factory to classify my milk there and ship it on the Montreal market in whole in order to avoid the cuts on the Montreal market, to handle our milk ourselves.

The third indirect remedy, and this is not an insignificant one, is the improvement of technicians, improvement of the technique of dairy manufacturing. We should devote more time to research work in the improving of our dairy product, and to introduce new milk products in order to enlarge the milk production. We should have a third indirect remedy. I think that our butter and cheese manufacturers should receive wider instructions. I will not take too much time to explain that, but it is a big handicap in our small parishes to have butter manufacturers and cheese manufacturers not prepared technically for present conditions. This is an indirect remedy: the improvement of technique in manufacturing and in the transformation of dairy products, and the amount of regulation; and with the suggestions made to colleges and ministers of various departments of agriculture we will devote more money for the improvement of dairy science. Gentlemen, I am sorry I have talked too long. I am sorry for Father Lebel's sake.

By Mr. Dupuis:

Q. Before you leave that, professor, there was one very important point you raised. You said there must be some legislation to prevent a milk dealer from making butter and cheese in the large places in Canada. That is very important. In the district of Montreal, for one hundred miles around they ship their milk to Montreal. Well, as the professor said, the milk dealers in Montreal deliver their milk and with the balance they make butter and cheese, and there are manufacturers in Montreal who make butter called classified butter and made their fortunes with that; and the result is that in our county the milk producer can't have a milk factory in the neighbourhood, and the milk manufacturer can't stand the price of Montreal. For instance, if, as the professor has said a price of $1.70 is fixed for milk in Montreal, all the farmers will send their milk to Montreal, and what will happen to the manufacturer in the district? He can't stand that competition. What the professor suggests is a remedy so that the milk manufacturer can make his living in the neighbourhood just by absorbing the surplus of milk.

The CHAIRMAN: Any further questions, gentlemen?

By Mr. Dupuis:

Q. I would like to hear what the professor suggests.—A. By fixing the surplus. If you have a milk producers' association on the one hand, if you have on the other hand a commission—a federal one, or a provincial one—it will be the duty of this commission, and the duty of the association, to find out

a formula to let on the Montreal market the milk necessary to feed the people, plus a surplus—which we call a necessary surplus to meet the needs; and it is feasible. Dr. Bond of Cornell university made a survey last year in Montreal, and he has given us a formula to settle this question. There is the report of Dr. Bond of Cornell university. It is feasible to fix a minimum surplus of milk in a market. In other words, it is possible to find out the approximate quantity of milk that should go on any market and drop the rest. That is the only way of checking the tremendous manufacturing of butter and cheese on the Montreal market; and as one of the members said, this kills butter and cheese manufacturing in small places—in the counties in the vicinity of Montreal. The butter and cheese factory cannot stand to-day, because, when the price is $1.50 net, producers want to go on Montreal market and when they are there 50 per cent of their production is shipped to the butter and the rest is sold as whole milk.

By the Chairman:

Q. Professor, would you prevent these companies from the manufacture of ice cream as well?—A. No, because they buy cream.

By Mr. Tummon:

Q. In your evidence you said that from June, 1930 to 1931, the net price received by the producer was $2.16 per 100 pounds, I think?—A. Yes.

Q. And then, you gave it for the following two years?—A. Yes.

Q. Now, that net price of $2.16 per 100 pounds was less freight?—A. Yes.

Q. And it was the average price of what the producer received for sweet milk, and also for the surplus.—A. Yes.

Q. Have you any information that you could give the committee as to what price the distributors were retailing that milk for at the same time in Montreal?—A. Yes, I will give it to you right now—June, 1930, retail price in Montreal was 0·128 per quart—and it was paid to the producers 6·4 cents.

Q. And in 1931 and 1932?—A. 1929—would you like to have the price for 1929?

Q. No, just take the one you gave us—1930 and 1931; $1.34 per hundred pounds you gave the producer received, 1931 and 1932; now, have you got prices per quart it was being retailed for?—A. I can't say.

Q. 1931 and 1932?—A. 1931 and 1932, 11 cents, June—in 1931 the price per quart was 11·4 cents; in June, 1931, it was paid 7·9 cents; in June, 1932, 9 cents.

Q. Was that the average during the term from June, 1931 to June, 1932—the average price per quart you were giving?—A. I think that all these are based on June prices.

Q. In 1932-33, you said that the producer received net $1.05 per hundred pounds; now, how much per quart was it retailing for?—A. Well, you know it is pretty hard to tell you to-day the average retailing price.

Q. All right, have you the figure for June, 1932?—A. Yes; June, 1932, retail price 3·5 cents.

Q. The retail price?—A. The retail price 9·8 cents in June, 1932.

By Mr. Barber:

Q. The price paid to farmers?—A. 3·5 cents.

By Mr. Pickel:

Q. That is gross?—A. The retail price 9·8—price quoted the producers 3·5 cents.

By the Chairman:

Q. That is, laid down at Montreal?—A. Yes.

By Mr. Goulet:

Q. Is the farmer paying the express on that?—A. No, that is net.

By Mr. Tummon:

Q. Can you tell the committee the price per quart that milk is retailing at in Montreal at the present time?—A. It is pretty hard, because there is a great spread—disparity, in prices.

Q. You don't feel like saying that. Have you any information that there was a cut made recently to the consumer in Montreal?—A. Yes, since a month. Our farmers, the farmers shipping to our association, since a month have had the price cut—they are coming to the cutting.

Q. Let me get that; in the first place there was a cut to the consumer, was there?—A. In the first place there was a cut to the consumer—you mean this winter, yes, recently.

Q. How much, do you know?—A. In some cases cuts of nearly 40 per cent.

Q. You don't know how much per quart?—A. Yes, 40 per cent—you push me in a corner.

Q. No, I am not trying to push you in a corner—some of the other gentlemen are trying to do that.—A. There is milk sold to-day at $2.50 per hundred.

An Hon. MEMBER: He wants to know the price to the consumer per quart?

The WITNESS: It means 6 cents—yesterday at the Thrift Store.

By Mr. Tummon:

Q. In the bottles that are left at the door?—A. Yes, per quart. I think there are some chain stores who are selling milk at six or five per quart.

Q. Delivered?—A. Well, no, they have to go to the store; but if you are giving me—

Q. What I was trying— —A. If you would give me fifteen minutes we will find out very precisely.

Q. All right, Professor; just one more question: When the milk was reduced to the consumer in Montreal recently, say this winter, was that reduction passed on to the producer?—A. Reduction passed on to the consumer.

Q. Did the distributor reduce the price to the consumer, and then turned around and took it off the producer?—A. That is what they are doing now due to the cut of milk to the consumer, now they are starting to cut to the producer.

Q. Just recently?—A. Yes, since about three weeks, we are told through a monthly report in our office—and my secretary told me they had started to cut—we have their figures on the records.

Q. Could you file with the secretary of the committee any evidence that would bear that out?—A. Bear that out—what do you mean?

Q. Any statement?—A. I would send you my report.

Q. That would be fine.—A. I will send you two dozen reports. They have started to cut. We will send you that. Here is a note prepared by my secretary yesterday—my secretary brought me that note before leaving—February; quoting his figure from February.

Q. This year?—A. Yes, February last—price paid first February was $1.35 gross price. He marked in the book $1 average and he said the price has been cut.

Q. Average?—A. Yes, $1 average since the price has been cut. We have seen the cut, but I will send to the secretary.

Mr. Dupuis:

Q. Now, Mr. Toupin, while you have that book in hand; what was the price in 1929 to the consumer and to the producer?—A. 1929, retail price 12·8 cents.

Q. Paid to the farmers how much?—A. Seven cents.

By Mr. Bertrand:

Q. Mr. Chairman, I would like to ask the Professor if he knows the average production of cows; he stated that the average production of cows in his district was 8,000 pounds of milk— —A. In the society.

Q. In your society; and with added members on, 6,000 pounds of milk?—A. Six thousand pounds of milk, that is with outsiders—I have said that I think the average is around 6,000 pounds of milk.

Q. Precisely; now, do you know the average production of cows in the province of Quebec?—A. Well, it is hard to answer, because we are always quoting old figures, and I think that we have improved our average herd; we should not be far from 5,000, for the whole province.

Q. You said a moment ago—where did the distributor find his milk in October, November and December of 1932; I think it is well to inquire about that—have you any idea as to where they found that?—A. From trucks here and there.

Q. Do you mean the answer to that is this bootlegging of milk?—A. There was some bootlegging of milk on the Montreal market last fall.

The CHAIRMAN: Gentlemen, are you through with the witness?

By Mr. Pickel:

Q. Have you any idea of the percentage of surplus milk reaching Montreal?—A. Here is a report you should have in your hand and you will have the answer about surplus. Dr. Bond of Cornell university has a long tableau after studying the surplus on Montreal market—it will be long to answer that question.

Q. Can you answer it in a short way?—A. I should view this tableau—I received that report.

By Mr. Dupuis:

Q. Maybe you would file the report?—A. I will leave my report in the hand of the Chairman.

By Mr. Pickel:

Q. All right, now, Professor; with regard to buttermilk which the dealer pays the farmer nothing for, what does he do with that?—A. I suppose that he is drying this buttermilk.

Q. Do you know what he gets for it?—A. Too bad—he received quite a lot. I have not my feed prices.

Q. What is the price of dried buttermilk to-day?—A. Fifty dollars per ton—fifty or sixty dollars per ton.

Q. For buttermilk?—A. Dried.

Q. I know; the great consumption of buttermilk is as buttermilk?—A. I don't know—I have no idea at what price they sell buttermilk.

Q. What is done with the separated milk surplus?—A. With the separated buttermilk—

Q. No, the separated milk—surplus milk?—A. They transform that into butter and cheese.

Q. Butter and cheese; what is done with the by-product with the milk and skim milk?—A. With the skim milk? They dry the skim milk; they reduce it in powdered form—powdered skim milk.

The CHAIRMAN: Are you satisfied, gentlemen; shall we release the witness?

Thank you, Professor.

FATHER L. LEBEL, called and sworn.

The CHAIRMAN: I think we are very much honoured to-day, gentlemen, in having Father Lebel, of Montreal, with us, and I will ask you to give him your very best attention. He has kindly consented to speak to us in English, and I know it is a little more difficult, possibly, than it would be for him to speak in his own language.

Father LEBEL: Well, Mr. Chairman, I was very glad to hear that parliament instituted this commission to inquire into the milk situation, because it is an open commission, an open inquiry. We had in Quebec an inquiry on the situation of milk one year ago, but it was kept behind closed doors so the public knew nothing of it. This will have a good influence on public opinion; but I think that there is a danger in this inquiry because, as I read in the beginning, you have limited your inquiry on a spread between the retail price and the price paid to the producers. For weeks and weeks the readers and the consumers will read in the newspapers, testimonies on the great profits made by dairies, that they exploit—I say, that some of the testimonies will try to find that these dairies exploit the public; and what will be the conclusion in the mind of the consumers, actually; especially in this crisis of the working classes? The conclusion will be the price is too high, we pay too much, we must lower the price; and then, what will be the situation of the farmer?

I understand that that inquiry has been instituted precisely for restoring the situation of the farmer. Now, if the price of milk is lowered the farmer will not receive more then, he will receive less; because the big dairies will find ways to take their profit on the farmer. That is why I would suggest that your committee study a little—it is not necessary to make long observation, but study a little—the cost of production, and spread it before the public—spread the idea that the price of milk, the price of production of milk from the farmers is pretty high; and that is the reason why I suggested to have Mr. Toupin to speak, to say something about the cost of production. I think really, personally, that the spread since two years at least, the spread is too great. I don't know what your inquiry will reveal. It is a little too large, I think, and it is easy to have an idea of it.

This year—I quote here from the Milk Plant Commentary of New York, I think; it is an American magazine:

In January of this year in the whole state of Massachusetts, in the cities of Boston, Chelsea, Lawrence, Lowell, Lyn and Springfield, the retail price of the quart of milk was eleven cents, the same as it was in Montreal during January. Now, the prices paid to the producers during that month; the fixed price was $2.74 to the 100 pounds, and during the same month in Montreal the fixed price was $1.60. You know there is $1.14 difference between these cities of Massachusetts, and the city of Montreal. I think that the spread is a little too much. If we take New York, New York in January, the retail price was 11 cents as in Montreal, and the price paid to the producers was $2.45; a good lot, 85 cents more than we were paid here.

I could cite many others, but it will remain true that if you do not study a little the cost of production of the farmer the conclusion will be that the price is too high. In reality I think that the price actually paid in Montreal, and in the other cities of Canada, is not too high; it would be, I would say rather too low. The price at Montreal actually is 9 cents. We had January at 11, February at 10, and we are at 9 actually; and will be forced by public opinion to lower it during the summer months, and the average will be less than 9.

Now, if we have to find similar prices to retail prices in former years we have to go up to 1912 when the retail price was 8·6 cents; in 1913 it was 8·8 the quart, and on that year the price received by the farmer was 5 cents, and

the price of the distributor was 3·8 cents. And, if you remember, in that time nobody complained that the price then paid was too high—8·8 cents; suppose that in the winter months the price was 11 and 10, and that in the summer months the price was 8 and 9 and nobody complained that the price was too high, and then the farmer received 5 cents, and the distributor 3 cents and 8. Now, is it difficult to state, that since that time the price of production for the farmer and for the distributor has been augmented. It is very easy. It is since that time that all these regulations have been established through the intervention of governments, federal, provincial and municipal. The boards of health in the name of hygiene and to protect the health of the consumers have saddled regulation upon regulation—the stables had to be arranged to give to each head of cattle a certain space in cubic space and a certain surface for ventilation; cement floors, and they must be whitened with chalk very often; they had to have separated dairies with wells; they had to have refrigerators, and you know that this year they must have three tons of ice for each head of cattle; and they have to pay the price of cans and pails which have doubled since that time; and transportation has augmented. There is the test of tuberculin which has been established since that time. Pasteurization has been established since that time; the obligation of bottling the milk, and so on. And we may say that since that time taxes have quadrupled, the price of machinery has doubled. So, since 1913, it is evident that the cost of producing milk for the farmer has surely augmented, as has increased the cost of distribution. I do not speak against these regulations. They are very good. They have produced the effect which was remarked in your first session that actually we have on the market a far better milk, a far better product, which has increased consumption, and which had a good influence on health. But who must pay for all these expenses, who must pay? These regulations were that common sense and equity require that the consumer must pay, because good. They have imposed on farmers and distributors a greater cost. I say it is in his favour that all these regulations were imposed.

Now, the opinion has been spoiled—the opinion of the public and the opinion of the consumers has been spoiled, in Montreal at least, by an association of farmers who have created the opinion in Montreal that they were exploited by the great dairies, that it was easy to deliver milk at a lower price than was paid them. You remember after the strike, and before the strike, that association held many assemblies in Montreal saying that it was possible to deal in milk at a lower cost, and since that time they have experienced by this that it was not so easy—that it is a very costly thing to retail milk in Montreal. That same association was the cause of a loss of $117,000 bankruptcy—$55,000 of milk not paid. They have experienced by this that it is not so easy. But I say that the opinion of consumers has been spoiled in Montreal, and that it would be necessary to recreate that opinion. I say for myself, to pay ten cents a quart, or eleven cents a quart for milk, is not too high, if we compare the price which is paid for sparkling water. If you take a bottle of sparkling water, you will see that it takes from five to seven or eight bottles to make a quart. Now, nobody has any objection to paying five cents for a bottle of sparkling water; so that the consuming public of Montreal pays from 25 to 35 cents a quart for simple water, mixed with a little sugar, and a little essence. Yet, the public finds itself too poor to pay ten cents for a quart of milk, which is the best and most hygienic food that exists, actually.

Mr. Toupin told you that the price of feed in his society was about ten cents, and that he would state the price or cost of production of milk in his society was from $1.28 to $1.55. Remember that his society is a special society in which the average of cows is very high—8,100 pounds a year. If we took the average of the province of Quebec, I think we must see that the cost of pro-

duction is a little higher. Remember in the year 1930 under Hon. Mr. Perron, Minister of Agriculture of Quebec, there was an enquiry into the price of producing a gallon of milk in the province of Quebec. The result was that the average was 32 cents. I think that the enquiry was made a little too quickly. In the county of Argenteuil, in 1931, a more minute enquiry showed that the cost of production in that county was about 25 cents.

By Mr. Boyes:

Q. Per gallon?—A. Per gallon. And you know the county of Argenteuil has the reputation of being the best organized in regard to dairy production. The figures have not appeared for this year yet, but I think it is probable they will be a little lower. It will be found a little lower, about 22 or 23 cents. I think it would be a good thing if these figures were known and spread among the public in order that the public may see that the farmers are not actually paid as they should be paid. If we continue to pay the farmers as they are paid actually he is producing at a loss. If that continues before three or five years have passed, or before long, the city of Montreal and all cities will be crowded with those farmers who will come to aid the citizens to consume their own wealth.

I think that the responsibility for the lowering of prices is not with the large companies. The large dairies of Montreal are ready to pay the farmer the price he deserves, because they have repeated to me many times: "We would pay the farmer 20 cents a gallon or 30 cents a gallon, or forty cents a gallon, only we would have to raise the price to the consumer; but we are forced to lower our prices by the little dairies." You know, in Montreal we may classify the dairymen under three headings: the large dairies, who have a fixed price, higher than the others, the other little dairymen who insist on fixing the prices and keeping them a little lower—generally their price is one cent lower—and then there is the little dairymen who are cutting the prices, as it was stated during this inquiry. Lately, some of these little dairymen have sold their milk at such a price that the chain stores and some grocery stores were able to retail the milk at six cents a quart. It is impossible for a dairy to be able to retail milk at such a price, and pay the farmer. It is possible there must be some bootleg milk moving in order that they may be able to do that. They do not follow regulations; they do not pay the farmers, or they pay a ridiculous price. The remedy would be to have the Board of Health execute its rules. I will state before this committee that some dairymen in Montreal—and very serious dairymen—say if the Board of Health were free to act, and to do what they would do, and what they should do, those little dairymen would be put out of business. But they cannot. There are dairies in Montreal who have not complied with the regulations, and who continue to sell milk because the Board of Health is interfered with in its work. The Board of Health is interfered with by politicians and by aldermen. Supposing a farmer wants to introduce milk into Montreal, and is prevented by an inspector, what happens? Why, he goes to the deputy and the deputy comes around and says to the inspector: "Don't be too zealous, my man." Some of these dairies should not be allowed to distribute; they do not observe the rules. Along with that, I think the price of butter and cheese has been lowered. I think the price of milk has not always been linked up with the price of butter and cheese. It seems to me that in New York, actually, the price of milk was lower this winter than it was in Canada, yet the farmers there received nearly $1 per 100 pounds more than we received in Canada. I think that a marketing board that would keep the price of cheese and butter higher in Canada would, at least, help to keep the price of milk higher. There are two remedies which would help the farmer in those circumstances. One of them would be to have the government enter into a new treaty

with the United States. You know the great disorganization in the marketing of milk has been brought about by the Hawley-Smoot tariff, which barred the exportation of our milk, more or less, to the United States. I think that the government should try to have that tariff lowered. I think that Mr. Bennett and the government is contemplating having a treaty renewed, and so the committee should insist that Mr. Bennett or the government should give special consideration to that question. I think that the real remedy would be to have an association of all the producers and have a concentration of wholesale reception of all the milk, as it was instituted in some of the states in the United States. If all the producers pool their milk, or bring it to a central reception point, then the purchaser will be obliged to come to that pool and buy milk, and it will be the producer who will fix the price.

Now, before terminating, I should like to make an observation on what was stated at the first meeting by Mr. Singleton. Mr. Singleton said:

> On the 16th of February, I wired to the officers of the Dairy Branch, in the different parts of Canada, asking them to give me the price per 100 pounds of milk to the producer for milk delivered at the distributing point, and the price to the consumer for quarts of bottled milk.

He then gives a table of the price paid to the producers, the average price paid to the consumer, and then the proportion received by both. I cannot speak for the others, that is, the other cities, but for Montreal, I find there is a little mistake. They say that on the 17th February the average price paid her quart by the consumer was nine cents, and the average price paid per quart to producers was 3·5 cents. Well, if we take 9 cents as the average price paid by the consumers—it is a real average, because it is the fixed price, the official price of the larger dairies to the consumers was ten cents. Ten cents was the price of the large dairies, and nine cents the little dairies, and the wholesale was eight cents. So, it was the average. Now, if nine cents was a real average, they should take to compare what was paid to the producer. the average. When they say that the average paid to the producers was 3½ cents, it is the fixed price; it is not the average. First it was not 3½ cents. 3½ cents would mean 14 cents a gallon: but in reality the fixed price was 13½ cents. Secondly, that was not the average paid to the farmer. The average must have been only twelve cents. Now, if you compare the proportion received by the farmer and that paid by the consumer, you will see that the proportion will not be 38·89, which is nearly 40 per cent, but it would be only 33, just a third of the price, and I think that we should correct that for Montreal. I do not know how they have stated it for the other cities.

Now, I must submit you a puzzle—not a jig saw—I think that the time has come for the puzzle. When the large companies—when the dairymen of Montreal lowered their prices in the beginning of February, when they lowered from 10 to 9, the dairies of Montreal, dairymen of Montreal made some proclamations, one in French which appeared in the French papers and one which was given to a reporter of the Montreal Star. Now, in the proclamation given to the French papers they say: "Our profit during the last year was only a little fraction of a cent a quart—a little fraction of a cent per quart." Now, in the other paper they say: "We have been obliged by competition to lower our retail price by one cent. from 10 to 9 and declaring that the price paid to the farmer of 14 cents a gallon delivered to the city would be the same." So they declare that all their costs would remain the same, but the margin of profit will be a little smaller. It is a puzzle for me to understand that if during the whole of last year, when the spread was 6·5, their profit per quart was only a fraction of a cent, now that the spread is only 5·5 per cent, how their margin is only a little smaller. They should say, if the first proclamation is true, that they sell at a loss. There is something in the books which were

presented to Mr. Bond, and Mr. Bond recognized in his report that really, according to the figures which were presented to him, there was only a little fraction of a cent of profit per quart. I don't know how—it is a puzzle for me. There can be no explanation, I think, but apparently for me there is a contradiction between those proclamations.

Now, if you have some questions, I will be ready to answer.

The CHAIRMAN: Any questions?

By Mr. Sproule:

Q. Father Lebel was dealing with the price of milk, spread of milk, in 1910, if I remember, or 1912. I think if I remember he was quoting the producer was getting five cents and the retailer was retailing for eight. Are the restrictions in Montreal the same now as they were then?

Mr. GOBEIL: He told us of changes.

The WITNESS: Oh, no, there were regulations, too.

By Mr. Sproule:

Q. What I had reference to then was, did the city require that it be pasteurized at that time?—A. No. Pasteurization was passed only in 1925, and in Toronto I think it was passed in 1920. Nearly all those regulations have been passed since that time; so that cost of production has been increased and it is impossible—I actually remember that we are paid, were supposed to be paid three cents a quart, when others were paid five cents a quart.

Q. Yes; would you say that the cost of production was similar then to what it is now?—A. The cost of production? I think that the cost of production was then lower.

Q. Lower than it is now?—A. Lower than it is now. It is true that the average of pounds per cow has increased, and this is one of the factors which could have caused a lowering of production; but there are many other factors which have worked in the other sense. I think that actually the cost of production of a gallon of milk is higher than it was in 1913.

By Mr. Mullins:

Q. Has it improved the health of the people, Father, all these new regulations and these restrictions such as pasteurization?—A. I think, personally, that it has.

Q. I have in mind that the Professor spoke in Manitoba, in a Dairy Association, and he said that they had fed three calves with Agricultural College pasteurized milk, and that the three calves died. I cannot understand—in the old days I was raised on one cow, and I remember in the town of Lindsay they had none of these restrictions or this pasteurization regulation, and it did not affect my health. I am so far sound, and the milk did not affect me; so I think probably there are too many restrictions placed around the milk situation, that is reacting back on the cost to the farmer.—A. Yes; but you were on a farm. You could take the milk fresh. In the cities actually those who drink the milk now drink the milk of yesterday—not of yesterday, but of the day before yesterday. And they say that in great centres as Montreal, it is better for the general health to have that milk pasteurized. It loses, I think, for me, I think that it loses something. It loses something.

The CHAIRMAN: Vitamins.

The WITNESS: Especially in the taste, and a little in vitamins. But in general, if it were not pasteurized, I think that germs and bacterias and every kind of bad germs would kill men.

By Mr. Tummon:

Q. Father, do you confirm the evidence of Prof. Toupin, that the recent cut in price to the consumer in Montreal is being passed on to the producer?—A. No, I don't think so. For me—it is true that it is only one week, and they receive their pay only fifteen days after, so it is difficult; but we have their promises. I will read that declaration, a declaration that the price paid to the farmers of 14 cents a gallon (which is not 14 cents, it is 13½ cents), delivered to the city station, would remain the same. But we shall see at the next pay if they stand to their promises.

Q. What has been the history in the past; where there has been a cut to the consumer, has it invariably been passed on?—A. Invariably; and it is the great difficulty of agriculture. Formerly, let us say, twenty years ago, the farmer received for his product in general—for the general products of the farm, received about sixty or seventy per cent of the price paid by the retailer. I do not say for the milk only, but in general. Now, of that price the intermediary received only from thirty to forty per cent. That part which the intermediary received has increased until the last crisis, to fifty per cent. Economists, according to the statistics, say at the moment—in 1929, the intermediaries received about fifty per cent of the price paid by the retailer. Now, since that crisis, the prices of the farmer have been lowered; the retail prices have been lowered forty per cent. If that loss of forty per cent had been sustained equally by the intermediary and by the farmer, the farmer would be in a bad state, but he would not have to complain. In reality, the part of the intermediary has not been lowered. His fifty per cent has not been decreased; so the whole lowering has been sustained by the farmer who receives actually from twenty to thirty-three per cent of the prices paid by the retailer. In general—I do not say for some—for butter you receive more, but we will say for the average, he receives from twenty to thirty-five per cent—to thirty-three per cent of the retail price, and this is a great evil.

Q. Just one more question. Did the producer receive a cut in his price recently?—A. Yes. In the beginning of February when the price went down from the—the fixed price went down from eleven cents to ten cents, it was lowered from $1.60 to $1.35.

Q. To $1.35—A. Yes.

Q. At the same time then that the cut was made to the consumer from eleven to ten cents?—A. Yes.

Q. There was a reduction made to the producer?—A. Yes.

Q. From $1.60, is it?—A. Yes.

Q. To $1.35?—A. To $1.35; and when they announced that it was going down from ten to nine, naturally I was expecting that they would lower the price of the farmer; but I think that one of the effects of this Committee—of this commission—was that they did not do that. It was the first good effect.

By Mr. Spotton:

Q. One point. We are having quoted the figures of milk per gallon that the farmer receives in the country instead of the consumer at his door. Now, that figure is $1.35. The other day we were told about the fearful and wonderful working of a mysterious surplus, and they told us that that worked out that the farmer did not get that $1.35, that this surplus pressed it down to $1.05. That is, with twenty-five off Montreal it would leave $1.10. The working of this surplus pressed down the returns to the farmer I believe, in some cases, as low as 90 cents. I would like to have your opinion on that point. That is a big charge?—A. I could not give you figures on that precise point, because we have not to deal with the farmers, and I have not seen their bills.

Q. But they do not get $1.35?—A. I have heard that many of them—the secretary of the Board of Health of Montreal yesterday told me that a very good farmer in the eastern counties had very find stock and he receives actually, after deductions made, 7·5 for his milk, and he says that man will surely go down before long if it continues.

By the Chairman:

Q. I would like to ask a question based on one of the professor's recommendations. He says that it should be possible to regulate the flow of fluid milk on to the Montreal market by means of a producers' association that would take care of the surplus where it was produced. Do you think that is the proper method to use?—A. I think that an association which would control 90 per cent of the producers would be a splendid thing.

Q. Would it not be a good thing, possibly, just to leave the market a little bare all the time so the price could go up. If they can control the amount of milk going on to the market could not they leave it a little bare so as to enhance the price unduly?—A. Bare?

Q. Short of milk?—A. I do not see how it would be possible to have the market short.

Q. How far should the cost of production enter into the fixing of the price to the producer, and how far should the law of supply and demand apply there? —A. Well, I really do not understand the question.

The Committee adjourned to meet Thursday, March 9, 1933, at 10.30 o'clock.

REPORT OF PROFESSOR G. TOUPIN SUBMITTED TO THE OTTAWA PARLIAMENTARY COMMITEE CONDUCTING AN INQUIRY INTO THE MILK INDUSTRY, MARCH 7, 1933

Outline

I. Present situation respecting milk produced in the district of Two-Mountains and sold on the Montreal market:

1. Average yield per cow as indicated in returns from 42 members of our Association.
   Probable average yield in the district.
2. Average feed costs per 100 lbs. of milk.
3. Average net prices per 100 lbs. of milk.
4. Loss per 100 lbs. of milk, estimated according to the formula showing the relationship of feed costs to total costs.

Feed costs..	45 to	55
Total costs..	100 to	100

II. Influences of milk prices:

(*a*) On stock-raising methods.
(*b*) On feeding methods.
(*c*) On farm husbandry, in general.
(*d*) Conclusions.

III. Grievances of the milk producers of the district of Two-Mountains.

IV. Remedies proposed:

(*a*) Direct remedies.
(*b*) Indirect remedies.

I.—Present situation respecting milk produced in the district of Two Mountains and sold in the Montreal market:

Condition of milk production sold on the Montreal market and estimated by monthly reports sent to the Agricultural Institute of Oka by a group of farmers who record both milk production and feeding and who are members of a Society of Animal Production since June, 1926; and estimated also in surveys carried out amongst the farmers who were formerly members of the Society of Animal Production of the County of Two Mountains and who withdrew for one reason or another.

1.—Average yield per cow:

(*a*) For 42 members of our association (June 1931-32):

Cows..	488
Pounds of milk	8,111
Percentage of fat..	3·47
Pounds of fat..	281·73

(*b*) Probable average yield in the district:
6,500 pounds of milk; 3·5 per cent of fat; 227·50 pounds of fat.

2.—Average feed costs per one hundred pounds of milk:

(*a*) June, 1931, to June, 1932, 0·73 per 100 pounds.
(*b*) June, 1932, to June, 1933, 0·70 per 100 pounds.
(*c*) October, 1932, to October, 1933, 0·70 per 100 pounds.

The average price of concentrates per ton is:

(*a*) June, 1930, to June, 1931, $25.84.
(*b*) June, 1931, to June, 1932, $23.
(*c*) June, 1932, to June, 1933, $23.

The average quantity of concentrates per cow for a production of 8,000 pounds of milk is 2,300 pounds:

(*a*) 1,610 pounds of farm grains, 70 per cent $18.. ..	$14 49
(*b*) 690 pounds of concentrates, 30 per cent $25.. ..	8 60
	$23 09

3.—Average net price. The average net price paid for 100 pounds of milk:

(*a*) June, 1930, to June, 1931, $2.16.
(*b*) June, 1931, to June, 1932, $1.34.
(*c*) June, 1932, to June, 1933 (probable), $1.05.

Detailed statement of milk prices paid to the farmers for the year June, 1932, to June 1933:

	Market	Farmers
(*a*) 1932: June, July, August, September, October (5 months)..	$1 35	$ 95
(*b*) 1932: November (1 month)	1 35	1 20
(*c*) 1932: December. 1933: January (2 months)..	1 60	1 35
(*d*) 1933: February, March, April, May (probable, 4 months)..	1 35	1 00

Approximate average price for the year, $1.05.

4. Loss per hundred pounds of milk estimated according to the formula showing the relationship of feed costs to total costs:

Feed costs ..	45 to 55
Total costs..	100 to 100

Milk Price:

(*a*) June, 1932-1933..	$1 05
Feed costs per 100 pounds..	70

Total costs per 100 pounds of milk:

(b) $\frac{70 \times 100}{45}$ $1 25

$\frac{70 \times 100}{55}$ 1 28

Probable loss, $0.23 to $0.50 per 100 pounds.

II.—Influence of milk prices:

Situation very much changed for the worst since June, 1932:

1. Milk prices for the year 1931 have not to date exercised any influence that is really apparent so far on,

(*a*) Stock-raising, (*b*) feeding.

In proof whereof:

(*a*) Stock calves are as numerous and in as good condition as in past years,
(*b*) General return maintained. However, 15 of our producers report the return shows a tendency to fall off.

2. Influence on farm husbandry in general:

(*a*) For 1931: Painful as regards all.
(*b*) For 1932: Discouraging as regards some and disastrous as regards others.

3. Conclusions:

(*a*) The present state of prices is conducive to considerable disturbance as regards milk production for the Montreal market.
(*b*) The present state of prices should milk producers and purchasers to find means of avoiding a crisis in this field, a crisis that would affect the interests of both parties.

III.—Grievance of milk producer:

Outline of a questionnaire relating to an inquiry into the grievances of milk producers selling their milk in a raw state in the great markets of the province, and the best measures to take in order to correct these grievances:

Grievances of the Producers

In our opinion, what are the principal grievances of the producers in respect of the present market:

Replies:

1. Absence of a contract binding producers and purchasers; with the result that the producer is liable to lose his market at any time.
2. Insolvency of a certain number of milk distributors and milk distributing companies, hence partial or total loss of production value for two or three months. Sometimes the loss runs from $200 to $500.
3. Fixing of milk prices at a figure much below production costs. A gallon of milk costs an average of 25 cents and sells at about 15 cents.
4. Unjustified cutting of prices, by sending part of the milk shipped to the creamery.
5. Lack of control by the producers over milk tests.
6. Irregular payments for milk: a situation that causes serious inconvenience to the producers.
7. Being prevented from dispensing of a milk surplus at will, even when the purchaser says the market is overstocked.

8. Refusal to accept delivery of milk without prior notice, and not giving producers any time to correct any faults on their part, in consequence of which the producer sometimes loses his market whole weeks and is out of pocket considerable sums of money.
10. Absence of a satisfactory basis in respect of the payment of the price of milk.

Proposed Remedies

(a) *Direct:*

1. Formation of an association of milk producers—provincial and federal.
2. Drafting of a contract between the Producers' Association and the buyers.
3. Fixing of the buying price of milk from the producer and the selling price to the consumer by a provincial or federal commission composed of producers, consumers, buyers and experts.
4. Passing of a provincial or federal act to give force of law to the decisions of the Milk Commission.
5. Passing of a law to control the degree of solvency of milk buyers.
6. Fixing of milk prices twice a year:
   On October 1, for eight winter months.
   On June 1, for four summer months.

(b) *Indirect:* (To further strengthen the foundations of dairy-farming).

1. The establishment in each county of cattle-raising societies, preferably of the cooperative type, with the following objects:

(*a*) By the use of better methods, to improve the average yield per cow.
(*b*) To sell market milk or dispose of it wholesale.
(*c*) To convert milk without the aid of any intermediary.

2. The general improvement of dairy methods.

3. The formation of a corps of dairy experts by devoting a larger part of the curriculum to the fundamental sciences on which dairying is based, and adding thereto courses in general agriculture, animal husbandry and political and rural economics.

(Signed) G. TOUPIN.

IMPORTANCE OF THE MILCH COW DURING THE PRESENT DEPRESSION

Thoughts and Suggestions of Professor Gustave Toupin, of the Oka Institute

In a first article, published in this paper in December, 1932, Mr. Toupin asked the following questions: "What action must milk producers take in the face of the price decline? Is there a way out? What are the indications for 1933? Is it possible to make a little money?" And he concluded by stating: "Twenty farmers of the county of Two-Mountains, who, for a considerable time past, have kept a record of the milk yield and the food consumption of their herds, are going to provide the answers. Their answers, set out in tables, are summarized and commented hereunder.

TABLE 1.—Average milk yield fo 20 herds in the County of Two-Mountains and average corresponding quantities of various foods consumed.

Members	Pounds of milk	Fodder $6	Succulents $4	Concentrates $23	Pasturage $8
		lbs.	lbs.	lbs.	
Albert Laframboise	10,790	3,340	4,297	2,488	....
Alphonse Leduc	10,301	1,791	5,560	2,213	....
Arthur Daoust	9,817	2,979	4,822	3,183	....
Emile Groulx	9,766	2,486	2,738	3,150	....
St. Laframboise	9,625	4,839	4,210	4,174	....
Albert Daoust	9,137	2,797	4,361	2,626	....
Ovila Laurin	8,525	3,731	5,782	2,321	....
A. P. Belisle	8,221	3,993	6,667	1,685	....
M. Charbonneau	8,029	4,395	3,838	2,155	....
Romeo Laurin	7,855	2,847	4,262	2,923	....
Jos. Dagenais	7,673	4,567	10,069	2,147	....
Jos. Bertrand	7,177	2,511	5,780	2,343	....
Art. Campeau	7,156	4,420	5,870	2,236	....
J. Lalande	6,936	2,888	6,212	1,773	....
Grey Nuns	6,836	3,048	5,797	1,697	....
Sisters of the Congregation	6,667	3,941	5,762	1,839	....
Art. Meilleur	6,611	4,433	3,489	2,366	....
H. Lamarche	6,534	3,105	4,472	2,226	....
F. Lamarche	5,755	4,543	6,656	1,789	....
C. Masson	5,421	3,797	5,613	652	....
Average amount	7,941	3,518	5,344	2,299	....

Table 1 shows the average milk yield per cow and the average corresponding quantity of various foods consumed during the year extending from June, 1931, to June, 1932.

Table 2 shows the gross receipts per cow expected by these same farmers during the twelve months to follow, according to the selling price of milk and the average yield of their herds. It also gives the feed costs based on the total production per cow as well as on 100 pounds of milk, assuming that the various herds consume indentical quantities of feed to give the same yields. Finally, it shows the remuneration for labour based on the yield per cow and according to the price of milk.

TABLE 2.—Gross receipts, feed costs and remuneration for labour to be expected by these 20 farmers, according to the selling price of milk and the average yield per cow

—	Pounds of of milk	Receipts when 100 lbs. of milk sell for			Feed costs		Remuneration for labour when milk sells for		
		$1.25	$0.85	$0.70	Total	100 lbs. of milk	$1.25	$0.85	$0.70
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Albert Laframboise	10,790	134 87	91 71	75 53	56 59	0 52	78 28	35 12	18 94
Alphonse Leduc	10,301	128 76	87 56	72 11	49 93	0 49	78 83	37 63	22 18
Arthur Daoust	9,817	122 71	83 44	68 72	63 17	0 64	59 54	20 27	5 55
Emile Groulx	9,766	122 07	83 01	68 36	57 17	0 59	64 90	25 84	11 19
St. Laframboise	9,625	120 31	81 81	67 37	78 99	0 82	41 22	2 82	−11 62
Albert Daoust	9,137	114 21	77 66	63 96	55 30	0 60	58 91	22 36	8 66
Ovila Laurin	8,525	106 56	72 46	59 67	57 44	0 67	49 12	15 02	2 23
A. P. Belisle	8,221	102 76	69 88	57 55	52 67	0 64	50 09	17 21	4 88
M. Charbonneau	8,029	100 36	68 24	56 20	53 62	0 67	46 74	14 62	2 50
Romeo Laurin	7,855	98 18	66 76	54 98	58 65	0 75	39 53	8 11	− 3 67
Jos. Dagenais	7,673	95 91	65 22	53 71	66 51	0 87	29 40	7 29	−12 80
Jos. Bertrand	7,177	89 71	61 01	50 23	54 03	0 75	35 68	6 98	− 3 80
Arthur Campeau	7,156	88 45	60 82	50 09	58 71	0 82	29 74	2 11	— 8 62
J. Lalande	6,936	86 70	58 95	48 55	49 46	0 71	37 24	9 49	− 0 91
Grey Nuns	6,836	85 45	58 11	47 85	48 25	0 72	35 20	9 86	− 0 40
Sisters of the Congregation	6,667	83 33	56 67	46 67	52 48	0 79	30 85	4 19	− 5 81
Art. Meilleur	6,611	82 64	56 19	46 27	54 46	0 82	28 18	1 73	− 8 19
H. Lamarche	6,534	81 67	55 54	45 74	51 84	0 79	29 83	3 70	− 6 10
F. Lamarche	5,755	71 94	48 91	40 38	55 27	0 96	16 67	6 36	−14 89
C. Masson	5,421	67 76	46 08	37 95	38 10	0 70	29 66	7 98	− 0 15

CONCLUSIONS AND LESSONS TO BE DRAWN FROM THE ABOVE TABLES

1. An increase of yield per cow tends to lower the cost of production by reducing feed costs. While, with average yields of 5,000 to 7,900 pounds per cow, the cost of feed ranges from 70 cents to 96 cents per 100 pounds of milk, according to the skill of the farmer, it ranges from 49 cents to 67 cents per 100 pounds of milk for cows yielding from 8,000 to 10,000 pounds.

2. (*a*) With milk selling at $1.25 per 100 pounds, cows yielding from 8,000 to 10,000 pounds meet their feed costs and give the farmer a return of $58.62 for his labour. Those yielding from 5,000 to 7,000 pounds pay their feed costs also, but give the farmer 47 per cent less return for his work; (*b*) With milk selling at 85 cents per 100 pounds, cows yielding from 8,000 to 10,000 pounds pay their feed cost and give their owner a return for his labour of approximately $20 per cow. Cows yielding from 5,000 to 7,900 pounds, while covering their feed costs, provide a return for labour of only $6 or $7 per head, which is approximately 60 per cent less; (*c*) when the price of milk is 70 cents per 100 pounds, cows yielding 8,000 pounds and more pay their feed costs and provide a labour return varying from $2 to $18 per head, while those yielding from 5,000 to 7,900 pounds can cover their feed costs only if hay and grain is purchased at prices lower than those stated above.

3. In short, high-yield cows (8,000 pounds and more) generally give the farmer the greatest return for his labour. They are in the long run his tax and mortgage payers, even in times of depressed prices.

4. From individual records of milk yield and feed consumption, we are in a position to state that cows yielding less than 5,000 pounds of milk hardly cover their feed costs when the price of milk is $1.25 per 100 pounds. When milk sells for 85 cents and 70 cents the 100 pounds, such cows not only give the farmer no return whatever for his labour, but they secure from him their feed at 50 per cent below the cost of production. They are indeed ruinous animals, especially in times like the present.

We have endeavoured to show our cattle-raisers the possibilities of dairy farming at the price levels likely to obtain throughout the coming twelve months. In a third article we shall deal with the means to adopt in order to take advantage of them.

APPENDIX "A"

DOCUMENTS FILED TO DATE—NOT PRINTED

No.

1. Report of the Reorganization Commission for Milk, 1932-33 (England), Sir Edward Grigg, Chairman.
2. List of Dairy Associations and Officers (Canada, 1932, 1933).
3. List of Principal Milk Distributors in Canada (1933).
4. Report of the Provincial Dairy Commission, November 12, 1932 (Quebec).
5. Milk accounts rendered by several Montreal milk companies.
6. Minutes of Meetings between dealers and producers of Montreal.
7. Report of Milk Committee appointed by the Food Controller for Canada, 1917.
8. Extract from Minutes of Vancouver Council, Special Milk Committee, 1917.
9. Statement of agreed price and prices paid by four Montreal dealers.
10. Montreal milk by-law.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 9, 1933

No. 4

Reference,—Milk and Milk Products

WITNESSES:

Dr. A. J. G. Hood, Department of Health, Montreal, Que.

Appendix "A"—List of Documents filed to date,—not printed.
Appendix "B"—Documents filed and printed.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, March 9, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Boyes, Brown, Carmichael, Cayley, Donnelly, Fafard, Gobeil, Hall, Jones, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Porteous, Rowe, Seguin, Senn, Shaver, Smith, Spotton, Sproule, Stewart, Taylor, Thompson, Totzke, Tummon, Weese, Weir (*Macdonald*), Wilson.

The clerk read a letter from the Manager of Mail and Baggage Traffic, Canadian Pacific Railway Company, enclosing tariffs for milk transportation and a history of rates.

The chairman called for a report from the sub-committee on witnesses.

Mr. Tummon for the sub-committee reported that Dr. A. J. G. Hood, Superintendent of Food Inspection, Department of Health, Montreal, had been called for to-day.

Report concurred in.

Mr. Loucks moved that the sub-committee be authorized to take the evidence, in camera, of certain persons who did not wish to appear before the committee.

The chairman expressed doubt as to the competency of the committee to delegate such power to the sub-committee.

After discussion the motion stood.

The clerk was instructed to have printed the tariff of railway rates on milk and By-law No. 891 of the City of Montreal, concerning milk.

(See Appendix " B " hereto.)

Dr. A. J. G. Hood, Superintendent of Food Inspection, Department of Health, Montreal, was called, sworn, examined and discharged.

The witness agreed to file with the clerk, a list of truckers licensed to truck milk into Montreal.

The meeting adjourned at the call of the chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 9, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: First of all I shall ask the Clerk to read a communication from the Canadian Pacific Railway regarding rates on milk. (See appendix).

We have as witness this morning, Dr. A. J. G. Hood, Superintendent of Food Inspection, Montreal Department of Health, upon whom I shall now call.

Dr. A. J. G. HOOD, called and sworn.

By the Chairman:

Q. Will you give the clerk your full name and your position?—A. I have been superintendent of the Food Inspection Division for twenty-one years in Montreal; and I am at your service to give any information that I can possibly give.

Q. Have you any statement to make, Doctor, outlining the regulations?—A. I have copies of the milk by-law. This by-law was passed in June, 1925, and adopted by the council on July 20, 1925, asking for pasteurization of milk in the city of Montreal. There are two kinds of milk specified in this by-law, pasteurized milk and special raw milk, special raw milk as produced. There are regulations laid down in the by-law governing both kinds of milk, and governing the production of milk on the farm, and the inspection of those farms, and the sale of milk in all different phases in Montreal. This by-law calls for the tuberculin testing of all herds supplying Montreal with milk and cream; and, as you know gentlemen, this was a large order. Because when the by-law was passed, we were far from having all our herds tested. In 1918, only 1·48 of the herds were tuberculin tested. In 1925, when the by-law was passed, 26·19 were tested, and to-day we have 100 per cent tested supplying Montreal. So you see it was quite a large order both for the city and for the producers to get all their herds tested. By tuberculin tested herds I mean government test, Federal test. We accepted provincial tests while they were being made, but the provincial department decided to discontinue their testing, and to-day we just have the Federal test. We do not accept any private tests. I was speaking to one of your representatives this morning, and he said that the city of Montreal was in an enviable position, as being one of the few cities that could draw its milk supply from an entirely tuberculin tested field. We are extremely pleased to have succeeded as well as we did in getting this, not only from the city standpoint, but from the standpoint of improving conditions of public health throughout the country. As you gentlemen are aware, being representatives of a great many parts of Canada, in insisting on tuberculin tested herds, we did not only protect the city of Montreal, but we improved conditions for the producers; because when we get the producers to have clean herds it naturally resulted in the producer getting a clean and wholesome supply of milk for himself, and in that way we know tuberculosis is being reduced.

Q. Is Montreal in a restricted area, doctor?—A. Yes, sir. We have twenty-seven or twenty-eight counties around Montreal which are under the zone system. There are some counties south of Montreal that have been accepted. Not all their herds are tested, but all the producers are tested, all the milk and cream producers for Montreal, and the others are only waiting until they can get it.

Q. There is not any coming into Montreal from outside your restricted area?—A. Yes, but they happen to be from tuberculin tested herds.

By Mr. Tummon:

Q. I do not want to break in on the witness' evidence, but I believe the committee would appreciate it if you would start with the farmer, and give us a synopsis of the regulations necessary there, and then follow the milk straight into the city.—A. We have incorporated into our by-law here, a copy of the score card which we make for each farmer. This score card is based on the score cards in the United States, and all the score cards that we could procure. It contains one hundred points, divided into ten different sections, ten points for each section, and the farmers are scored accordingly. If the recorded score is eighty, or above, the dairy is excellent; seventy or above it is good; sixty or above it is fair; and fifty or above it is only probationary. Under fifty we cannot allow them to ship any milk into Montreal. We allow a few of them to ship cream if they submit a promise that they are going to improve conditions.

We have 4,500 regular milk producers shipping into Montreal—that is, outside the cream producers. This means we have nine veterinaries supervising those milk producers all through eastern Ontario and Quebec. These men score these farms once a year, and mark down whatever they find on the score, and we have a record in the office, each man's record, and before he can ship milk he has to apply for inspection. We send him a form which he fills out and answers, if his herd is federally tested; if he has a milk house; if he is able to have an ice supply; if he has a proper dairy barn, and all the other requirements. When we get this back, if it is satisfactory, we send our inspector to see this man, and he makes his score. We give him a copy, we keep a copy, and we send a copy to the firm that buys his milk. If he is not selling to any firm, we keep a second copy in the office, and when he does start to sell, the firm can get this copy of the score from us.

By Mr. Myers:

Q. I do not wish to interrupt this witness or any other witness, but we heard pretty much the same story last day; that is, from the standpoint of knowing what the regulations are that are put upon the backs of the farmers. Now, I should like to know this, and if we cannot get it, we might as well disband: here is a farmer who starts out with a hundred pound can of milk. Can anybody tell us what it costs to put that one hundred pound can of milk on the market, to deliver it to the consumer in Montreal?

The CHAIRMAN: Professor Toupin gave us quite a bit of evidence in that direction the other day. The evidence this morning is directed towards getting the regulations governing the production and sale of milk on the island of Montreal. I should like, if you can doctor, to have you tell us upon what those points are based that are scored by your veterinary inspectors.—A. Yes, sir, I can give it to you right here. It is divided into divisions and ten points are allowed in each division. "Absence of disease on physical examination, 2; approved tuberculin test within the year, 8; quality of food, 5; quality of water, 5; cleanliness of cows, 10; stable location (2), water tight floor, preferably concrete (3), tight ceiling and walls (2), tie and manger (1), facilities for

isolation—special stables (2)—total 10; stable ventilation (3), air space for each cow, 400 cubic feet (1), 500 cubic feet (2), 600 cubic feet (3); light: 4 square feet of glass per cow (4), 3 square feet of glass per cow (3), 2 square feet of glass per cow (2), 1 square foot of glass per cow (1), total 10; stable cleanliness: floor, ceiling, walls and manger (3), whitewashed or painted and disinfected every year; walls (2), ceiling (3), no other animal (2), total 10; condition of barnyard: drainage (4), removal of manure every day to the field (6) or 50 feet from the stable (3), total 10; milk room: mode of construction, ceiling, walls, floor, windows and fly-screens (3), water supply (2), cleanliness: floor, ceiling, walls, vat and water for cooling purposes (5), total 10; cleanliness at milking time (3), utensil adequacy (2), small top or hooded pails (2), thoroughly washed and exposed to pure air (3), total 10; ice supply (4); prompt and efficient cooling and storage at low temperature (6), total 10. Some of them have electric refrigeration, suitably installed. Well, we give them the equivalent of the amount allowed for ice supply. That makes up a total score of 100 points.

Now, we have farmers scoring all the way up the scale. We have a few, a very few, who score 100 points. We have quite a number over 90 points, and over 80 points, and a great number over 70 points. When these scores are made, we allow the men to ship to Montreal. I noticed in the reports in the papers, that one of the witnesses before your committee recommended that a licence be taken out by the producers. I might say that fifteen years ago we thought the same thing was good, and I went to Quebec about the Montreal bill when it came up, and asked for permission to do so, but it was refused. We have tried since then and we have not succeeded. We were not asking to charge them anything, it was just the fact of taking out a licence for them to be allowed to ship. Well, to-day, it is an understood fact that no dealer can take on a producer unless this producer produces our score card, which is, in fact, a permit allowing them to ship.

By Mr. Pickel:

Q. Doctor, does all the milk that reaches Montreal become subject to this score card? Has there been in Montreal milk sold that does not come under the provisions of this section?—A. As near as we can possibly make it, sir. There has been quite a lot of talk of bootleg milk coming into Montreal; but it is the same as other things. We have 25 inspectors, ten in the country and seven on special work in the city, and seven at pasteurization plants, and two supervisors over those inspectors. But there are a great many roads coming into Montreal.

Q. Does the actual supervision of milk come under your jurisdiction, your supervision?—A. Yes.

Q. As regards testing?—A. Yes.

Q. How often is the test made?—A. Well, I might say we took for chemical analysis, 2,578 samples. We took most of the samples from the distributors.

Q. From the what?—A. From the distributors, who were supervised. Our men supervise the tests that the companies make of the different producers, and if we see anything that is wrong, our men immediately take samples. If the milk does not come up to the standard, we have to stop the man; or if he is adulterating his milk, we take means to take proceedings against him. We notify him, and if he continues, we take proceedings against him. In a great many cases we just stop him.

Q. You supervise the test with regard to the richness of the milk?—A. Yes.

Q. That, for Montreal, is 3·5 per cent?—A. In Montreal the minimum standard is 3·25.

Q. 3·25?—A. The same as the Federal standard. The by-law stipulates:—

> Milk shall contain at least three and one-fourth (3·25) per cent of milk fat and sixty-eight hundredths (0·68) of one per cent of salts. The total of solids of milk other than fat shall be at least eight and a half (8·5) per cent. Milk must not contain a proportion of water higher than eighty-eight and twenty-five hundredths (88·25) per cent. The density shall not be below 1·029 nor above 1·033.

We see it leads up to that; and more than that; in the by-law it states:—

> It is forbidden:—
>
> (*b*) To have in one's possession milk older than forty-eight (48) hours;
>
> (*c*) To ship, receive or have in one's possession milk the degree of acidity of which is above twenty-one hundredths (0·21) of one per cent, or below sixteen hundredths (0·16) of one per cent.
>
> (*d*) To have in one's possession or sell milk from which a portion of the fat has been removed.

A good many people seem to have the idea that we allow them to standardize their milk. There are some cities in Canada where they allow them to standardize, to bring that down to what you mentioned, to bring it to 3·50, 3½; but in Montreal we do not allow them to standardize. We allow them to receive milk from any farmer, as long as it is over 3·25. But they may receive it at 4 per cent if they like, or over 4 per cent, and it is all mixed together.

Q. The distributors are allowed to standardize?—A. No.

Q. They are not?—A. No, sir.

Q. If they receive milk at 4 per cent, are they supposed to distribute it?—A. They are allowed to mix it, but they are not supposed to standardize it. Standardizing means, as in a great many American cities, if all their milk—say the average of their milk were 3·80, they could take the difference between 3·80 and 3·50; they could take out that difference. But in Montreal they cannot take out that difference.

By Mr. Brown:

Q. You allow them to distribute the average, whatever that may be?—A. Yes.

By Mr. Donnelly:

Q. What is the average?—A. The average for 1931 was 3·6, I think. For 1931, it was 3·60, and the average for 1932 was 3·70.

By Mr. Pickel:

Q. Does your department test this milk after it is mixed?—A. Yes. We take so many samples on the street, so many samples from the grocery stores. I can give you in detail the tests for 1932: 660 samples on the streets, 331 samples in grocery stores, 1,103 samples in dairies, 434 samples in various other places, making a total of 2,528, and collected by inspectors in stores. That is for cream. That makes 2,528 samples. An average of the samples for 1932 gives it 9·70.

By Mr. Donnelly:

Q. Do you know whether the milk is bought on a butter fat test?—A. Some of the dairies buy on a butter fat test and some buy on a test on the milk.

Q. It is very unfair if a man is 4, and another one is 3·25, they both should get the same.—A. We have nothing to do with that. Our end is entirely from a sanitary point of view.

By Mr. Brown:

Q. These hygienic methods which you have in force are done at the cost of the city, not at the cost of the producer. I think that is one of point we want to get at.—A. Our cost for maintaining our city staff in the country for the last year, for 1931, it cost for travelling expenses for milk inspectors in the country, $15,034 outside of salaries.

By Mr. Gobeil:

Q. Outside of Montreal?—A. Yes.

By Mr. Tummon:

Q. All the cost of inspection was paid by the city?—A. Paid by the city.

By Mr. Brown:

Q. That is a point we want to get at. It is paid by the city, not by either the distributor or the farmer?—A. It does not cost the distributor or the farmer one cent. Some of the farmers object sometimes. They write in sometimes to us, and they write in again in another week or so, and say "I asked for an inspection last week and I have not got it yet. Why don't you send your inspector?" So we have the inspection of that, but we have to be as economical as we can, and we try to arrange it. Our work is divided into districts, and our inspectors go just as soon as they possibly can.

Q. There is another matter you mentioned. You spoke of score cards?—A. Yes.

Q. And of your issuing a permit; what would be the minimum number of points on which you would issue a permit?—A. They would have to be over fifty.

By the Chairman:

Q. Is that absolutely free of charge, that permit?—A. Yes. We have never charged anything, so far. We suggested it to Quebec, we suggested charging them a small fee; and then we suggested if they objected to that, that we would not charge anything.

Q. Then the dealers are licensed, are they not?—A. Yes.

Q. Are the licences heavy enough to pay for a considerable proportion of the inspection?—A. No. The licence fee for a dealer is only ten dollars.

By Mr. Tummon:

Q. Would you explain what is meant by the word "dealer," what it covers?—A. The word "dealer" is defined in this way: "The word 'dealer' shall mean any person or company selling or having milk in his or its possession for sale, delivery or exchange."

Q. What I want to get at is, that means one of the large dairy companies?—A. Yes.

Q. No matter if they have one hundred or more wagons on the road, the one permit will cover that?—A. Yes. Of course, they have to have a licence for each rig, from the city.

Q. Yes?—A. And in a good many cases the province gets the better of us, because a great many of them are running trucks and the province gets the licence fee.

By Mr. Pickel:

Q. Your regulations permit the farmer near Montreal distributing his own milk?—A. Some of them. If they can come up to these regulations covering

special milk—the by-law says Special Milk is milk which meets the following requirements:—

(a) It must not contain more than fifty thousand (50,000) bacteria per cubic centimeter from June to September inclusive, or more than twenty-five thousand (25,000) bacteria per cubic centimeter from October to May inclusive.

(b) It must not have been pasteurized nor sterilized.

(c) It must have been cooled down to at least forty-five (45) degrees Fahrenheit within thirty (30) minutes after milking and kept at that temperature or at a lower temperature until delivered to the consumer.

Q. How often are these bacteriological tests made?—A. Well, we take samples practically every day. This is our report for 1932.

Q. What are those taken from—are those taken from the aggregate or the individual?—A. Bacteriological samples?

Q. Yes.—A. Bacteriological samples are taken from the milk as it is ready to be sold.

Q. After pasteurization, in the aggregate?—A. Yes.

By Mr. Gobeil:

Q. That class of milk is not pasteurized?—A. Well, raw milk—we take that, when it is ready to be sold, when it is bottled; and if we find anything wrong, we take control samples. We take samples when it comes from—we have some dairies in Montreal selling special milk, who have as many as four suppliers. There is one man has six. If we get an aggregate sample that shows it is not up to this standard, we immediately take a sample from each of his suppliers, because it may be one of them that is wrong. And if we find there is one wrong, our man goes out to the farm right away and sees what is the matter. He may have fallen down or may not have sterilized something. We have to have them fix up, see that everything is sterilized, and get everything up to the mark, if there is anything wrong. We go and try to help him out and show him what he should do, and if we cannot succeed in getting him to produce milk along those requirements, we just say, "You will have to stop." We have to do that in some cases.

By Mr. Mullins:

Q. Doctor, may I ask a question; does the pasteurization detract from the quality of the milk, or the taste?—A. Very little. It is a recognized fact to-day that it does not harm the milk.

Q. I have received a letter this morning from a prominent medical man in Montreal, and he says:—

> As an interested citizen who has been closely following the Milk Investigation as conducted by a Parliamentary Committee, and as one who has for many years been a close student of the milk situation in Montreal, I was greatly interested in reading a summarized account of Rev. Leon Lebel's testimony at to-day's session of the Committee.
>
> While the good padre is quite a sociological authority, when he comes to discussing the purely health aspect of milk, particularly as affected by pasteurization, I am afraid he is hopelessly at sea.
>
> Particularly do I arrive at this decision when reading his testimony in to-day's Montreal "Star," when he stated: "Pasteurized milk loses something in the taste and vitamins,—but, if it was not pasteurized, bacteria would develop in it."
>
> The truth of the matter is that pasteurization, properly conducted, does not affect either the taste nor the vitamins to any appreciable extent. Furthermore, bacteria develop with greater ease in pasteurized milk than in ordinary milk.

Is that the case? That bacteria would develop in pasteurized milk with greater ease?—A. Well, I don't—

Q. Than in ordinary milk? I may as well finish the letter:—

> The reason is because the natural protective bodies in untreated milk are fully or partly removed and so do not offer the normal resistance to developing bacteria.
>
> Pasteurization is rendered necessary because milk is so often produced uncleanly. Again, it is not the absolute safety that so many believe, even when properly conducted, because of the tendency of some of the more obnoxious germs—like tubercle bacilli, to take the form of "spores," a very resistant form of bacterial type, which return to their normal contour and virulence once the heat becomes lowered.

What I had in mind, after all the care that you give on the outside as to the barn and the cleanliness of the stables, is it necessary to lower the standard of the milk by pasteurization?—A. It does not lower the standard of it.

Q. According to this medical man— —A. That is one man's idea. I could bring up five thousand against that.

Mr. MOTHERWELL: Hear, hear.

Mr. MULLINS: Well, I only got that this morning. I asked for information, because as I said to the Committee yesterday, a professor in Winnipeg stated that it had killed three calves and if it would kill calves, it might have an effect on the children.

By Mr. Moore:

Q. Dr. Hood, what is the idea in allowing part of the milk to enter the city of Montreal unpasteurized?—A. Well, sir, the idea was that we attempted in 1918—

Q. I mean distributed unpasteurized.—A. We attempted in 1918 to have a by-law passed asking for pasteurization, and it was knocked on the head. We attempted again in 1925—

Q. Knocked on the head, where? Could not pass the by-law?—A. It would not pass. They would not allow it to pass.

By Mr. Pickel:

Q. Is pasteurization permitted in the country?—A. No, it is not practical.

Q. It must be done in Montreal?—A. Yes, it must be done in Montreal. To answer that, when this by-law passed, we specified the two kinds of milk and allow for special raw milk. Some people—some doctors, want special raw milk. They claim that some of their clients have to have it. Well and good. If they have to have it, the by-law had to pass for getting it. When the by-law passed, there were 76 raw milk dealers. To-day there are 30. They have gradually gone out of business, gradually gone down, not from our putting them out of business, but their business has gone down. One man was selling, three years ago, sixty gallons; and the inspector told me yesterday that he is down to fourteen.

By Mr. Donnelly:

Q. What about cream, is that pasteurized too?—A. Yes.

Q. Is there much distributed in Montreal unpasteurized?—A. Not that we know of.

By Mr. Pickel:

Q. Has pasteurizing any effect on the vitamin content of the milk?—A. Very little. As this gentleman says, some people have an idea that it has. Personally, I have two children that have never had anything else but pasteur-

ized milk; the boy is seven years old and he weighs seventy-eight pounds, and is as healthy as can be; the girl is eleven, and she weighs ninety-seven. I do not think you can get any better specimens anywhere.

Mr. BOWEN: I have no pasteurized milk.

Mr. MULLINS: There is a big difference in pasteurizing.

The CHAIRMAN: Order, gentlemen, please.

By Mr. Mullins:

Q. There is a big difference in the milk on the farm and the milk in the city?—A. Certainly.

Q. That is what I wanted to get at. What has happened to it—

The CHAIRMAN: Order, gentlemen. We are getting far away from the object of this investigation. This investigation is not to inquire into the merits of pasteurization. It is to inquire into the prices, and the factors that govern prices and so on, and I do not think it makes any difference whether pasteurization is a good thing or not. It is being done.

Mr. BOUCHARD: It increases the price, Mr. Chairman.

The CHAIRMAN: That is aside from the point.

By Mr. Donnelly:

Q. How often do you inspect the distributors?—A. We have them inspected —anybody that goes into the milk business has to pass an examination for typhoid carrier; and if he is sick or absent, if he is working in the plant, our men visit the plants every second day and we have a list of all employees in every plant; if he is absent from a plant for more than a day or two, or any length of time, he has to pass a new examination.

Q. Does this apply to the producers in the country too?—A. No, we could not do that. I might say that this applies to a producer, if he has any typhoid on his farm, or if he has it amongst his family or his employees; they have to produce a certificate from the Provincial Board of Health to show that there is no more danger from typhoid and that the party that has had typhoid is no more a carrier, before we can allow him to start again. That is as far as we can go. I think that is as far as necessary.

Mr. Chairman, if you will permit me one moment, I think I will answer all this if we show what the difference between the improvement that has been obtained in Montreal. From 1907 to 1916 the death rate per thousand in babies from zero to one year was 221; from 1913 to 1922, it was 183 per thousand. In 1932 it is 100 per thousand, under 100; so that you can see from 1907 to 1932 it has been more than cut in half.

By Mr. Bouchard:

Q. What part of this can be ascribed to pasteurizing?—A. Some part of it

Q. Very little, perhaps.—A. Why?

Q. Well, because as I know, there are so many other factors to-day that contribute to that. Take for instance the Board of Health, hygiene, all kinds of injections.—A. They have all had their purpose.

Q. I think we ascribe much too much to pasteurization. I do not see anything in this figure that will prove much in favour of pasteurization.

By Mr. Moore:

Q. One thing we would like to get at, doctor; you said a few minutes ago that you were unable to have a by-law passed in Montreal. What prevented the by-law passing?—A. We did have it passed in 1925.

Q. Yes; the by-law passed in Montreal for pasteurizing all milk that is distributed in the city: didn't you say that?—A. We did in 1918, and we presented it again in 1925.

Q. What is interfering with it now?—A. We have not asked for it since, because it is gradually coming itself, without any by-law.

Q. I see.—A. I don't think it will be necessary; because, as I said before, some of the doctors maintain that they need raw milk. We look after the producers of raw milk, a small number. You can readily understand we can look after a small number much better than we can look after a large number.

By Mr. Tummon:

Q. Then, doctor, there are just two classes of milk being delivered in Montreal?—A. Yes.

Q. Pasteurized?—A. And certified.

Q. Certified?—A. Special raw milk and certified milk—practically three. Certified is milk that is even more restricted than special raw milk. Certified has to be under ten thousand the year around, and has to be under the control of the Medical Milk Commission, and has to be bottled on the farm where it is produced. We just have two farms producing certified.

Q. Are there any of the dealers in Montreal delivering unpasteurized milk? —A. No, not that we know of; not except it is special raw milk.

Q. In regard to the question of dealers, we had considerable evidence here that any person could obtain a licence—not any person, but a person might go to the City Hall, and obtain a licence if he had a horse and wagon and go to a distributor and buy a couple of hundred bottles, or quarts of milk to-day and start up a route. Has he a permit as a dealer?—A. He has a permit as a dealer, yes.

Q. Can you give us the number of dealers, the total number of dealers in Montreal?—A. In 1932, we issued 440 licences, that is including large and small.

Q. 440?—A. Yes.

Q. How many dairies are there in Montreal, or distributors, people who are bringing milk in from the producers, pasteurizing it, preparing it ready for distribution?—A. Pasteurizing plants??

Q. Yes.—A. We have 33 pasteurizing plants.

Q. Then the difference between the 33 and the 440 are people who are practically acting as agents?—A. Jobbers, a good many of them.

Q. Jobbers?—A. Then we have some 30 raw milk dealers.

Q. In addition to the 440?—A. Oh, no; these are included.

Q. 410, then?—A. Yes.

By the Chairman:

Q. Doctor, I would like to ask a question if I may; you have outlined the sanitary conditions that are necessary on a farm, before they can send milk to the city of Montreal. Does that add to the cost of the production of that milk? —A. Well—

Q. Those regulations, requirements?—A. To a certain extent, but they are practically requirements that are required in every city, practically the same.

Q. Yes. They are not required for milk being sent to the butter factory? —A. No.

Q. One of the witnesses gave evidence the other day, I think it was Mr. McMillan, that Dr. Reynolds of the Ontario Producers Association has made an estimate that there is an additional cost of 35 cents per hundred because of those regulations. Would you say that is a fair estimate?—A. Well, I could not say. We have never made that up. That is pretty hard. One man sometimes spends a great deal more than another, because in some places they have much more expensive help, and they have more expensive buildings, and spend a great deal more. You have the whole average to make sure of that.

Q. You would not like to hazard a suggestion whether that is a fair average or not?—A. No, I would not like to say.

By Mr. Bouchard:

Q. You said a minute ago what the requirements of the farmer were as to score in order to have a permit to ship into Montreal. Would you give us the requirements on which dealers and distributors have to score, before they are permitted to sell milk?—A. We also have a score card for the dealers, dairy score card, and the pasteurizing plant has to have a proper plant. It may be large or it may be small, according to the number of gallons that he is distributing. He has to have properly examined employees. He has to have good sanitary conditions. He has to have good, clean sanitary equipment. He is not limited to any kind of equipment. He can have different systems of pasteurization, as long as they are efficient: and all our plants in Montreal to-day have—if they want to make any changes, they have to submit their changes in writing to the Provincial Health Department, and their engineer, along with our inspector, pass on it before they make their changes; before they build a new plant they have to have their plant approved by the Provincial Health Department.

By Mr. Brown:

Q. Has your Department formed any estimate of the cost of pasteurization?—A. No, sir. As I said before, we cannot be interested in the cost. We are just interested in the sanitary end of it.

Q. We are going to be interested in it.—A. I understand that.

By Mr. Bouchard:

Q. What about the bottling of it?—A. They have to have proper bottle washers and proper can washers; and we take control samples ever so often, control samples of raw milk—two samples of raw milk, two samples of pasteurized milk, two samples after it has been bottled, which makes six samples. And then a sample from the washing of bottles, pints and quarts, two samples from the washing of cans, which makes a complete list of ten; and their bottles have to be properly washed and sterilized.

Q. And sterilized?—A. Yes, sterilized.

The by-law requires that all utensils and appartus—Article 27:—

> The utensils and apparatus used in the milk trade shall be reserved exclusively for the handling of milk and shall be kept in good order, their different parts to be solidly welded, the grooves to be well filled with solder and the surface in contact with the milk to be smooth, even and free from rust. All such utensils and apparatus shall be of recognized sanitary design.

We do not specify any kind of design, they can have any make they like as long as it is standard.

> The utensils and apparatus, after having been rinsed with lukewarm or cold water, shall be cleansed in a hot soap or alkaline solution, rinsed again to completely remove the solution used and then sterilized with boiling water or steam.

By Mr. Mullins:

Q. Doctor, I would like to have a little information about buttermilk. Can you tell me do they manufacture buttermilk from a sort of tablet or does the buttermilk that is churned, does it come straight from the churn to the bottle?—A. Well, in Montreal, there is very little buttermilk sold; it is mostly fermented milk.

Q. What?—A. It is mostly fermented milk. It comes under Article 116; fermented milk is milk which has been treated by the addition of a ferment.

Q. It is treated?—A. They add a ferment.

Q. Or a tablet?—A. It may be a tablet, like you make junket; or it may be from a bottle.

Q. Then it is not pure buttermilk?—A. It is not buttermilk in the sense of buttermilk.

Q. I thought not. It does not seem like the buttermilk I used to drink out of the old dash churn.—A. It is not just the same. We have one dealer selling churned buttermilk in Montreal, and one only.

By Mr. Bertrand:

Q. We understand there is a certain amount of milk brought into Montreal as sweet milk to be sold, and then taken as surplus milk to be made into butter or other uses; has this milk to pass these very same sanitary conditions?—A. Yes.

Q. The very same?—Even if it is known as surplus milk? There is no other regulation they have to stand by just as well?—A. No, sir, just the same. What is known as surplus milk I might explain is that at certain seasons of the year the dealers receive more milk than they need for distribution and they distribute that on their distributors—so much to each one—it may be a fifth, it may be a quarter, it may be a third, but it is their surplus. Of course, we have nothing to do with that.

Q. We have been told here by witnesses, Doctor, that if it is known in the plants that there will be a surplus of milk they will tell their producers that certain days of the week milk will be classified as surplus milk. I was wondering whether they had to stand by the same regulation?—A. Yes, they have to, for this reason, sir, they may ship in six cans and only four cans goes for daily consumption, and two may go in for surplus; but we don't know and nobody else knows, so they have to all come up to the standard.

By Mr. Donnelly:

Q. Can you give us any idea at all, Doctor, how much this extra health supervision placed on the distribution of milk has added to the cost?—A. Mr. Senn asked me that a moment ago, and I think I am not in a position—

Q. You cannot give us anything at all?—A. No.

By the Chairman:

Q. I asked more from the farmer's standpoint. The doctor wants to know whether it adds to the cost of distribution from the dealers' standpoint.

By Mr. Donnelly:

Q. Yes, how much does it add?—A. I could not say as to that any more than as to farmers. It certainly adds to a certain extent. Of course, that is much the same as anything else. If a man has a plant that cost him half a million dollars and another man has a plant that cost $25,000 and the one who has the half million dollar plant is only distributing twice as much as the other man his overhead is much higher than that of the other man.

By the Chairman:

Q. Would you say then, Doctor, that the extra cost because of your regulations is added to what the consumer pays; or is it taken from what the producer gets?—A. That is a difficult question to answer, sir.

Q. That is one of the things we are looking at, who pays the shot for all this sanitation?—A. I don't think I can answer that, sir.

Q. One witness, doctor, said the other day that the board of health were hampered in their operations by, I think he said, politicians and aldermen. Have you found that to be true?—A. Very little, sir. I may say that we have

had very good co-operation from all the politicians around Montreal, and particularly by our aldermen. I am pleased to say that, because in some cases we have people come in and ask us for certain things we could not pass. When we have explained it to them they see our point of view, but we have practically always had good co-operation.

By Mr. Tummon:

Q. In regard to the milk that is supplied by the pasteurizing plants to these smaller jobbers that you have mentioned, each bottle must be labelled by the dairy which pasteurized the milk?—A. Yes, so far we have allowed the dealer or distributor if he wishes to have his name on the cap, but he must have "Pasteurized by the," at a certain place around the cap—printed on the same cap.

Q. Now, a moment ago you mentioned, I think, that your regulations refuse the delivery of milk forty-eight hours old?—A. Well, that is what is specified in the by-law, sir.

Q. Now, forty-eight hours from when; the time it is drawn from the cow, or the time it is pasteurized?—A. Supposed to be from the time that it is drawn from the cow, and as soon as possible.

Q. I presume that in the milk being delivered to the grocery store, for example, that oftentimes there will probably be bottles of milk that would not be sold within the forty-eight hours?—A. That happens sometimes in grocery stores, yes.

Q. Have you any idea what becomes of that milk after it is forty-eight hours old?—A. Well, we have tried very hard to get the grocer not to take any more than he can dispose of, and in a good many cases we have succeeded in getting the distributor to take back milk that was held over from the day before and use that. He can take the cream out of it and put that cream into butter. We call this "returns," the same as the returns off the route. The dealer can't judge exactly how much he has got to take out, because he may sell ten quarts more to-day than he will to-morrow, and when he brings that back that milk has to be turned in and dumped as soon as it comes in, and the milk is taken out of that and put into butter.

Q. I think, Mr. Chairman, it would be of interest to the committee if the score cards, both for the farmer and for the distributor, were printed.

The CHAIRMAN: I think it would be wise if we had the whole by-law printed right in the minutes.

Mr. TUMMON: All right, it would be better.

The WITNESS: The regulations have both score cards in it. I can send you copies of actual score cards, if you like, sir; but they are just the same as in the book here.

The CHAIRMAN: I understand that. I believe it would be wise to have that incorporated in the minutes. What do you think gentlemen?

By the Chairman:

Q. Now, I want to ask you another question, Doctor; I believe that a certain portion of the surplus milk is converted into ice cream. Do you exercise supervision over ice cream as it is made in the city as well?—A. Yes, sir.

Q. Under the same regulations?—A. Under the same method, the same by-law, ice cream is controlled.

Q. One witness made the suggestion the other day that when the supply of milk falls off in the fall months there is a loosening up of the regulations by the board of health. Is there anything in that?—A. Nothing in that, sir.

Q. Another witness made the suggestion that at certain times 2·8 milk was shipped into the city and received into the dairies?—A. Well, I think that

was Professor Toupin at your last meeting. That is easily explained. There are producers who at times have low testing herds, or low testing cows, and if their milk does not come up to the set standard we notify them and we tell them if their cows are producing too little milk with too low a test that they should get rid of those cows, and replace them by better, higher testing cows. But that statement does not mean that it is adulterated milk.

By the Chairman:

Q. Oh no, I understand that. Well then, do you not require the farmer to produce 3·25 milk?—A. 3·25, yes, and if he is below that we send him notice immediately.

Q. Do you shut him off eventually?—A. If he is too low after that we shut him off. We have to. We give him a reasonable time, a month or so, to change. A farmer cannot go out and get rid of a cow and replace her in two days very often. But we ask him to have his cows tested and checked up, and we let him continue. I know the other day we sent notices to some of the farmers in the district from where this witness came, for them to take their samples to the Department of Agriculture, to the institution where this gentleman is a professor, and have them tested so they could see where they could weed out the low testing cows. It was done, and these cows were replaced by high testing cows. It is only fair to the producer. We can't do anything less.

By Mr. Mullins:

Q. From the time the milk leaves the farmer, the raw milk, it just goes through the process of pasteurization is that all?—A. That is all, sir.

Q. Before it goes to the consumer?—A. Yes.

Q. Do you know if there is anything added to the milk?—A. Not that we know of.

Q. Or cream, I will say cream; do they add any powders?—A. They are not supposed to, not that we know of.

Q. I know they are not supposed to, but do you think they do?—A. I don't think they do, sir.

Q. Have you any suspicions along that line?—A. They put it through the homogenizer?

Q. What?—A. The homogenizer, a machine which breaks up all fat globules and makes cream which is only 15 per cent look like 30 per cent.

Q. I thought I would get at that yet?—A. It is a new machine.

Q. But I did not know what it was.

By Mr. Gobeil:

Q. How many in Montreal have this machine?—A. These homogenizers? Oh, there are perhaps ten of them, probably eight or ten.

By Mr. Bertrand:

Q. Is that what accounts for what they call fresh cream, or table cream? —A. No. A lot of the dairies had adopted, before the by-law passed, a table cream. Table cream was cream under 25 per cent butter fat: and they had 3-X cream, which was over 30 per cent; while to-day under the by-law they have to put the percentage on each cap so that anybody buying cream has all the facts open they know they are getting 20 per cent or 30 per cent or 35 per cent, it is on the cap. "Each cream container shall bear an inscription showing, in visible type, the percentage of milk fat which the cream contains as follows: 10 per cent, 15 per cent, 20 per cent, 25 per cent, or 30 per cent"; so that anybody can see what they are getting.

Q. Can you tell us the reason why it would appear that if a cream was of a low test it would be thin, but cream that I was able to notice since was made to look thick; one could hardly get it out of the bottle?—A. That is what I say, if it goes through the homogenizer 10 per cent it comes out of the homogenizer looking like 20 per cent; it is thick. It is just like—you take whipped cream, you can't whip cream unless it is over 25 per cent, but when you start to whip it up it gets much thicker and light; but this quality goes through the homogenizer under a very large pressure, about 3,000 pounds, and it comes out nice and thick. But it is no better quality really, there is no more butter fat.

Q. There is none added?—A. There is nothing added.

Q. In other words it is bulky?—A. There is nothing under the law to prevent that, sir. In fact, I may say that here in Ottawa you allow your milk to be homogenized. In Montreal we have only one man who wanted to homogenize milk. We didn't prevent it. But he has some limit on his production and he is only selling 10 gallons of this homogenized milk. It is not taking. It may be all right. It has its advantages as far as the store or restaurant trade is concerned because in the restaurant trade once it has passed through the homogenizer cream does not rise to the surface any more, it is all homogenious—that means to make it all the same—so that in a can of homogenized milk the milk at the bottom is just as rich as the top part of it.

By Mr. Pickel:

Q. Doctor, this investigation was started with the idea that the farmer is not receiving enough for his milk. Now, of course, the price of milk in Montreal has its reflection on the producer?—A. Yes.

Q. Last Friday when I went down I saw in some stores there that a quart bottle of milk was given to the purchaser with a dozen loaves. Now, can you give us any idea, enlighten us in any way as to who is responsible in Montreal for that condition? Is it the big distributor, or is it the little pasteurizer who sells this milk at a very cheap rate to these people; who is at the bottom of it?—A. Well, sir, that is a little bit hard to answer. It was a medium sized one that started delivering to chain stores last night. It wasn't one of the small ones. It wasn't one of the bigger ones. The large ones have fallen in line and now they are supplying the chain stores with cheap milk. It was the in-between-man that started selling—one of the medium sized ones who started selling to the chain stores. In fact they were selling milk last fall—they were giving a loaf of bread and a quart of milk for 10 cents, and that was more or less of a drawing card. And to-day, during the winter, they sold it at 7 cents all winter. The large stores did not reduce their prices. But to-day, the first of March, they reduced their price to 8 cents in all the other grocery stores, or all the chain stores. Now, I think, in a very short time it looks as though it were going to be reduced again, because there is more or less of a war on.

By Mr. Bertrand:

Q. You have just used the word that some dairies have started selling cheap milk; you do not mean by that that the milk is not up to regular standard?—A. No, it is just the same as other milk. They have to come under the same regulations, and they have to live up to the same quality.

Q. The quality is the same?—A. It is up to them if they want to give it away; but they have to live up to same quality.

By the Chairman:

Q. Most dairies, I suppose, sell a certain amount of bulk milk to hotels, restaurants, bakeshops, and so on?—A. Yes, sir.

Q. Is that all? You don't require that to be bottled?—A. No, sir, the by-law allows it to be sold in restaurants and in places like that. Milk is allowed

to be sold without being bottled. In restaurants, in grocery and other stores, in all places where it is sold by retail it shall be received and sold without any decanting. Then in restaurants and hotels we allow them to receive it in cans, or to confectionery plants or bakeries we allow them to receive it in cans to be used for culinary purposes.

Q. Do you require that it be pasteurized?—A. Oh, yes, it is the same milk as the others, only it is not put in bottles. It is processed just the same. Instead of being put into bottles, run through the bottler and put into bottles, it is put into cans.

By Mr. Blair:

Q. Can you tell us how many American firms are operating in Montreal? —A. I know only one, that is the Borden Company.

By Mr. Pickel:

Q. Doctor, can you tell us, have you any idea, whether these small distributors are losing money?—A. Well, some of them have gone broke, so that is pretty good evidence that they are.

Q. My idea was this, that if a distributor in Montreal could sell milk that could be retailed at 5 and 6 cents a quart, and they are paying the farmers the same price that the others are, it must have been a pretty good dividend that the big companies are paying selling at 10 or 12?—A. In lots of these cases, sir, they were buying milk at a lower price. In some cases the last two years they had so many applications of farmers wanting to sell milk, men who had been willing to sell it at any price to be able to get in, unfortunately.

By the Chairman:

Q. Where did they buy that milk, from the farmer?—A. Oh, yes, from the farmer; but the farmers are willing to take the lower price. I know last year when the price was $1.35 a hundred—the regular price, the fixed price—I have known farmers to come in and offer their milk, I have seen them deliver it at $1 a hundred; but you can't blame a man for buying it if he can buy it cheap enough, that is his affair.

By Mr. Sproule:

Q. Does not pasteurizing depreciate the quality of milk?—A. As I explained to this other gentleman before, it does not depreciate it at all.

Q. Does your specially tested raw milk demand higher prices, or does anything rule that?—A. The special raw milk? The certified milk? They get higher prices for certified milk, and for special raw milk they get about the same price as ordinary pasteurized.

By Mr. Donnelly:

Q. What do you do with a man who has 4·4 butter fat who wants to reduce it to 3·5?—A. We stop him, or have him fined.

Q. And if he reduces it to skim milk, what do you do?—A. The same thing.

Q. You do the same thing with the skim milk then?—A. Oh, yes, they have the same total solids.

Q. The same what?—A. The same total solids. You can't take the solids out of milk without changing it, you can take the fat out; you can't take the total solids out because it changes your density. We get all kinds. They put ice in it; they put water and skim milk, and we have to stop them the same as anything else.

By Mr. Tummon:

Q. Doctor, I would like to ask a question. Perhaps you would not feel like answering. If you don't, I am not going to press it. What, in your opinion, in the health department in the city of Montreal, do you consider the best

method for the distribution of milk to the consumer—by wagon to his door, or from the chain stores, and such like?—A. Well, we would rather see it delivered by the man to the door because they are sure of the milk they are getting and we are sure of the milk that they are delivering.

Q. Yes?—A. In the chain store you have the whole organization, you have fifteen or twenty especially in the big organization. You have so many employees; and in some cases we have great trouble getting them to keep it in a proper condition, under proper conditions. When it is distributed by a wagon even in the hot summer months we take temperatures and see that it is distributed to the householder cool enough and quick enough.

Q. That was practically what I had in mind; that with the number of holidays and such like that there are—business holidays and such like—the wagon going around from door to door is after all, in my opinion, the most successful delivery of milk?—A. We are of the same opinion.

Q. And in your opinion would you want to say that the more milk that is handled through the chain store the greater the cost would be for delivery around to the door?—A. Well of course, that remains to be seen. I do not know.

Q. You could not deliver the half of it as cheaply as you could the whole of it?—A. I would not think so. It is the same as anything else, the more you deliver—

By Mr. Mullins:

Q. The milk would not come in contact with other commodities that you had in the store? I have seen bottles of milk in the refrigerator and other foods in there. Won't the milk absorb some of the ingredient from the other food that you had in there?—A. We try as much as possible, sir, to have them have a special refrigerator.

Q. A special refrigerator in the chain store?—A. Yes.

Q. The other day I saw one chain store with hot dogs in one end and milk right alongside of it, and I know something about what hot dogs are made of, and I would not like to drink that milk.

By the Chairman:

Q. Do you limit the hours at which milk can be shipped from the farm to the city?—A. No, sir.

Q. I understand that the Quebec Commission had advocated something like that?—A. The Quebec Commission recommended it in its report.

Q. Are you in favour of that recommendation?—A. I think we will be.

Q. You don't limit the hours at which milk is distributed in the city at all?—A. Well, we insist on a temperature, and unless a man gets started early enough in the morning and comes in quick enough he cannot live up to the temperature, so that regulates itself more or less automatically. If a man tries to haul milk too far and takes too long on the road he can't get into Montreal. We insist that they bring their milk under 50 Fahrenheit. They can pick it up at the farm at 42, 43 or 44, and bring it in within two hours or two hours and a half and get it in under 50.

By Mr. Shaver:

Q. I regret that I was not present to hear the earlier part of your evidence. I presume, from your position, you would be familiar with regulations for handling milk in some of the larger American cities. Will you say that the regulations in New York and Boston are just as strict and would entail as much expense on the distributor as they do in Montreal?—A. Well, in New York, I understand half of their milk is sold in bulk, about half.

By the Chairman:

Q. Is that retail milk?—A. Yes.

By Mr. Shaver:

Q. They have regulations for pasteurization, of course, and for the hygienic handling of milk?—A. Oh, yes.

Q. That would naturally put as much expense on the distributor there as we have here in Montreal?—A. Practically.

Q. That would be your opinion?—A. Yes. More or less the same.

By Mr. Bertrand:

Q. Now, we were told by one of the witnesses, doctor, that some dairies were looking for surplus milk, or what he called surplus, and that an inspector was asked to visit certain farms, and the farmers would not stand the inspection; that they would ask for somebody else, and they were promised that another inspector would come and the farm would be passed and the milk could go in to Montreal?—A. That is not right. Your information I think is wrong, because each inspector has a district and we have a supervisor, and if there is any controversy over it the supervisor goes out and sees it, and if that is not sufficient I go myself.

Q. So the case of sending another inspector is impossible?—A. They can't pick their inspector, and even if they did pick their inspector they would not find any difference because our inspectors are checked up thoroughly and we know what they are doing and the work they have to do. We know if they don't do it they just have to find another position.

By Hon. Mr. Motherwell:

Q. May I ask a question with regard to special raw milk delivery, sometimes referred to as certified milk. How can any certificate be given with regard to the possible absence or presence of, say typhoid or scarlet fever germs, in any sample of milk without pasteurization?—A. Well, we don't certify; that is the medical milk commission which certifies. That is their affair.

Q. Well, does the witness think that there is any such thing as certified milk free from the germs of communicable diseases without pasteurization? —A. Well, you can't be absolutely sure of it.

Q. No. Well, this certified milk business is more or less of a fraud?—A. Well, it is the best that you can secure.

Q. If it is pasteurized it is all right?—A. If it is pasteurized it is made absolutely safe.

Q. Oh, yes.—A. Otherwise neither yourself nor myself nor anybody else can be absolutely sure. You can certify that it has been produced and bottled and delivered under the regulations laid down for that kind of milk, the best possible; you can't go any further than that.

Q. No.—A. The possibility might happen that after everything was ready you might get in somebody there that was a carrier, and you might have trouble.

Q. There might be somebody milking the cows who was just on the point of contracting typhoid, we will say, and that has been where some of the worst outbreaks of typhoid have been traced, to just such handlers of milk. So that without pasteurizing milk medical authorities take the ground you cannot have complete certification?—A. It is a recognized fact, to-day, sir.

By Mr. Pickle:

Q. Doctor, from the long experience you have had, do you think that an intelligent co-operation between the producer and the legitimate big distri-

butor as regards the control of supply of milk would greatly alleviate the conditions that the farmer is suffering from to-day?—A. We have always tried to get them together as much as possible.

Q. That is to eliminate what they call the bootlegger, get him out of business; and put it into the hands of the big distributor?—A. Well, we tried to eliminate, as you say, the bootlegger. Any milk that we know comes from an unauthorized source is dumped down the sewer. We do not do anything else with it. We took several lots last fall and dumped it down the sewer. There was quite a lot of it, but I cannot say that there was an awful lot of it, because were were working night and day all the month of November when there was a shortage, to prevent that from coming in.

By Mr. Donnelly:

Q. Will you tell the committee what temperature is required for proper pasteurization?—A. The By-law requires "That pasteurized milk is milk all the component parts of which have uniformly been heated during at least thirty (30) minutes at a temperature of one hundred and forty-two (142) to one one hundred and forty-five (145) degrees Fahrenheit. . . . ." Now, there is a provincial law that was passed since which has become law which specifies it must be held for thirty minutes at 145, not under 145. . . . . "without any drop in the temperature during the heating. The milk must have been cooled down, within forty-five (45) minutes immediately after the operation, to a temperature of at least forty-five (45) degrees Fahrenheit and kept at that temperature until delivered to the consumer. Pasteurized milk is also milk which has been pasteurized by any other physical process approved of by the Health Department. It must not contain, at the time of delivery to the consumer, more than one hundred thousand (100,000) bacteria per cubic centimeter." Now, I might say just here that our bacteriological results for 1932 show that out of 2.359 bacteriological samples we have taken; over 80 per cent were below 25,000.

By Mr. Pickel:

Q. Did you say that 100,000 bacteria were permitted?—A. The By-law permits not more than 100,000 bacteria per cubic centimeter.

Q. That much is permissible?—A. Yes, sir. But 94·3 per cent of all the milk sold in Montreal—all the samples that we took—show milk under 100,000 last year.

By Mr. Donnelly:

Q. As I understand it, what the public are interested in is the malignant bacteria. What malignant bacteria will pasteurization kill?—A. One hundred and forty-five degrees will kill practically all of them—any of them that are dangerous.

By Mr. Pickel:

Q. There is one more question that we were forgetting. What about the truck business? Do you know anything about that?—A. Well, the truck business—we have controlled the truck business as well as we possibly could. We licensed all the trucks for the last three years, and the ones that did not want to live up to the regulations or want to do the things they should not we refuse a licence. We charge them a ten dollar licence fee. This year, there is a bill before the provincial legislature that will empower the city to charge them more if they wish to.

Q. What are the regulations as far as trucks are concerned?—A. They have to have a covered truck properly made, properly painted and cleaned and have to have their name and address, and they have to have marked on it

"transportation of milk" or "milk transport" so that we can see them when they are on the road, and so they will have to bring their milk in so the cans will not be covered with dust, and in the rainy weather they will not be all wet and become dirty; because you gentlemen know that we have a very good road but there are some sideroads still, and they have to go up to the farm doorways in lots of places and may get mud on them. We have required for the last three years, since we have been licensing them, that they must have properly constructed covered-in trucks.

Q. How many licences did you issue?—A. Last year, I think, it was 108 or 110 licences.

By the Chairman:

Q. Can they carry other goods as well?—A. No, sir.

By Mr. Wilson:

Q. Are there any specific hours for delivery from the producer to the dairy?—A. No, sir. The only specific regulation is that they bring in the milk under 50 degrees Fahrenheit. There is a proposition—the Provincial Dairy Commission have made a proposition that they should be limited to so many hours in the morning.

Q. Would you file a list of the truckers; we might want to call some of them?—A. Yes, sir; we can do that. I think this recommendation is a good recommendation. It will help us. We want the men that are doing the trucking to take the milk in the morning and bring it in immediately and as quick as possible. That is the only way.

By the Chairman:

Q. That would be rather dangerous if they happened to have a blowout and are a few minutes late?—A. Of course, that will have to be taken into consideration.

The CHAIRMAN: I feel that we have had some very interesting information from Doctor Hood this morning, and if you are satisfied we will release him.

The Committee adjourned to meet Tuesday, March 14, 1933.

APPENDIX B

CANADIAN PACIFIC RAILWAY COMPANY

MAIL AND BAGGAGE TRAFFIC DEPARTMENT

MONTREAL, March 8, 1933.

A. A. FRASER, Esq.,
Clerk of Agriculture Committee,
House of Commons,
Ottawa, Ont.

Dear Mr. FRASER. Referring to your letter of the 28th ultimo, addressed to our Freight Traffic Department, and our conversation in Ottawa on the 7th instant regarding enquiry into the milk industry throughout Canada by the House of Commons Committee on Agriculture.

I am sending you herewith as you requested certified copies of this Company's tariffs of charges and instructions in respect of the transportation of fresh milk in its original state at present in effect, as follows:—

16 W.L.—Transportation of milk in baggage cars on passenger trains—Western Lines.

30 E.L.—Transportation of milk in baggage cars on passenger trains—Eastern Lines.

E. 13355-G—Quoting rates covering transportation of milk in freight service from Embro and Woodstock, Ontario to Toronto.

I also enclose, as promised you, a brief history of the rates for transportation of milk in baggage service, Eastern Canada.

The rates in effect on Western Lines have remained undisturbed for at least twenty-six years. The oldest tariff we have on file is dated May 1, 1907, and the schedule of rates published at that time is the same as quoted in Tariff 16 W.L., copy attached.

Yours truly,

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

CANADIAN PACIFIC RAILWAY COMPANY

HISTORY OF RATES FOR TRANSPORTATION OF MILK IN BAGGAGE SERVICE—EASTERN CANADA

Baggage car service for the transportation of milk in its original state, and intended for immediate domestic consumption at destination, was inaugurated in 1886. The rates established at that time were as follows:—

For 40 miles or less, 15 cents per 8 gallon can.
Over 40 and up to 80 miles, 20 cents per 8 gallon can.
Over 80 and up to 120 miles, 25 cents per 8 gallon can.

A revision of these rates went into effect May 1, 1891, as follows:—

For distances 40 miles and under, 15 cents per 8 gallon can.
For distances 41 to 150 miles, 20 cents per 8 gallon can.

the effect of the revision being a reduction in the rates for carriage over 80 miles by 5 cents per eight-gallon can, with an extension of the maximum distance from 120 to 150 miles at 5 cents less per can than provided for by the rates of 1886.

In 1893 rates were established for milk in four-gallon cans, as follows:—

For 40 miles or less, 8c per 4 gallon can.
For 41 to 150 miles, 11c per 4 gallon can.

In June, 1911, the Board of Railway Commissioners heard an application made by the Montreal Milk Shippers' Association asking that the railway companies give a rate of 8 cents for a four-gallon can and 15 cents for an eight-gallon can, respectively, up to 75 miles, and 11 cents for a four-gallon can and 20 cents for an eight-gallon can for all distances over 75 miles; that is, increasing the distances over which the rates prescribed in the Tariff of 1893 on four-gallon cans were effective, and consequently effecting a reduction in rate on the four-gallon can, and that certain conditions of carriage of the milk traffic be prescribed.

By its Order No. 15413, dated 26th September, 1911, disposing of this application, the Board directed that on and after the 1st day of September, 1912, the railway company should not be required to accept for transportation any cans of milk of less capacity than eight gallons. This Order effected a cancellation of the rates filed in 1893 on four-gallon cans by abolishing the traffic in that quantity, leaving the rates on eight-gallon cans as prescribed by Tariff C.P.R. 165, dated May 1, 1891. The Order further prescribed certain conditions of carriage of the traffic, which had not therefore been settled, and which had been the subject of frequent complaint and disputes between the shippers and the carriers. These conditions, effective October 1, 1911, and the rates established at that time, have remained effective to this date, and are as published in Tariff 30 E.L., copy attached.

Certified True Copy

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

C.R.C. No. 1310
(Cancelling C.R.C. No. 644 in so far as milk traffic is concerned)

Re-Issue

CANADIAN PACIFIC RAILWAY COMPANY

WESTERN LINES

Esquimalt & Nanaimo Railway - - The Kettle Valley Railway Company

SPECIAL LOCAL TARIFF FOR MILK

16 W.L.

Agent Will Stamp
[STAMP]
Date Received Here

CHARGES AND INSTRUCTIONS IN RESPECT OF TRANSPORTATION OF MILK IN BAGGAGE CARS ON PASSENGER TRAINS

Issued August 15, 1927 Effective September 1, 1927

INDEX

RULES AND REGULATIONS

1. Application of Tariff:

When arranged for in advance, *milk* in cans or crates will be transported in baggage cars on trains acceptable to the Company at rates as given below.

2. Rates:

MILK—IMPERIAL MEASURE

Distances (Miles inclusive)	Capacity of Cans or Crates: 5-gal. cans	8-gal. cans	10-gal. cans	Crates of 12 quart bottles or 24 pint bottles
	c.	c.	c.	c.
0 to 10 miles	13	18	23	15
11 " 25 "	14	19	24	16
26 " 50 "	16	20	25	18
51 " 60 "	17	22	26	19
61 " 65 "	18	23	28	20
66 " 70 "	19	24	29	21
71 " 75 "	20	25	30	22
76 " 80 "	22	26	31	24
81 " 85 "	23	28	32	25
86 " 90 "	24	29	34	26
91 " 95 "	25	30	35	27
96 " 100 "	26	31	36	28
101 " 105 "	28	32	37	30
106 " 110 "	29	34	38	31
111 " 115 "	30	35	40	32
116 " 120 "	31	36	41	33
121 " 125 "	32	37	42	34
126 " 130 "	34	38	43	36
131 " 135 "	35	40	44	37
136 " 140 "	36	41	46	38
141 " 145 "	37	42	47	39
146 " 150 "	38	43	48	40
151 " 155 "	40	44	49	42
156 " 160 "	41	46	50	43
161 " 165 "	42	47	52	44
166 " 170 "	43	48	53	45
171 " 175 "	44	49	54	46
176 " 180 "	46	50	55	48
181 " 185 "	47	52	56	49
186 " 190 "	48	53	58	50
191 " 195 "	49	54	59	51
196 " 200 "	50	55	60	52

3. Measure:

The foregoing rates are for Imperial Measure Capacity.

4. Conditions:

(*a*) The rates named are for the transportation of milk in cans and crates between any two stations in Canada on the Western Lines of the Canadian Pacific Railway to destination and return of the empty containers to original starting points in baggage cars (not iced or provided with cooling device) handled on passenger trains designated by the Railway Company.

(*b*) The rates shown apply only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose will not be carried under this tariff.

(*c*) All the cans must have the name or initials of the owners on the cover or shoulder in stencilled (not painted) letters of a size not less than one inch.

(*d*) All cans must bear the name of the shipping station in stencilled (not painted) letters of a size not less than one inch, the same to be placed on the shoulder of the can.

(*e*) At stations at which agents are located all cans and crates shall be loaded on baggage trucks by the shippers. The Railway Company will load from trucks to baggage cars. At flag stations, shippers will load milk into baggage cars, except that at flag stations in British Columbia, when trains are more than one hour late, trainmen will load.

(*f*) Milk cans or crates that are leaking or otherwise in such bad order as to endanger their contents must not be accepted for shipment.

(*g*) Empty cans and crates will be loaded and unloaded by employees of the Railway Company, except that in British Columbia, when quantity is from 21 to 40 cans or crates, Consignee (milk shipper) will provide one man to assist in unloading and when quantity is more than 41, Consignee (milk shipper) will provide two men.

(*h*) At destination the Company will assist Consignee to unload milk; in the event of trains being late and Consignee not being on hand, the Company will unload milk. When trains are on time and the Consignee makes a habit of not being on hand to assist in unloading, report the matter to head of Mail, Baggage and Milk Traffic Department of District.

(*i*) Shippers must have their milk at the point of shipment, properly waybilled, a reasonable time before the arrival of the train on which milk is intended to be shipped.

(*j*) Baggagemaster will take receipt in the proper space from each consignee before removal of the milk from the Company's premises.

5. *Billing:*

Shipper will hand Agent waybill in triplicate, who will give shipper receipt on the original waybill and will record on his baggage waybill to train, and hand two copies of Milk Waybill to Train Baggageman. Train baggageman will record milk shipments on trip report and will turn over to Baggage Master at destination both copies of waybill. At destination Baggage Masters will take a receipt from Consignee on one copy, which will be sent to head of Mail Baggage and Milk Traffic Department of the District once a week, the third copy will be handed Consignee with milk. At flag stations, as shippers will load milk into baggage cars, train baggageman will give receipt to shippers for the same.

Under no circumstances will milk be handled without billing. Shipper will hand one copy of waybill with empty cans or crates to Baggage Master, this to be handed to Train Baggageman, who will turn in to the Mail, Baggage and Milk Traffic Department of the District with trip report. No receipt to be given or taken for empty cans or crates.

6. *Tickets:*

(*a*) In addition to waybilling system as shown in clause (*j*) ticket of proper form must be attached to each can or crate as case may be, as under:—

Cans		Crates	
Gallons	Form	Bottles	Form
5..	1273	12 quarts..	1298
8..	32	24 pints..	1299
10..	1274		

(*b*) The capacity of the can or crate must be charged for. For instance, a five-gallon can, only partially filled, must have attached a five gallon ticket.

(*c*) Two five (5) gallons will not be carried at the rate of one 10-gallon can. Can containing more than ten (10) gallons will not be received for carriage in baggage cars.

(*d*) Tickets must be issued consecutively according to number and may be sold singly or in quantities to each purchaser. They are good for one year from date of sale, as stamped on back, and care must be taken to see that starting point and destination is properly filled in and tickets stamped at time of sale. Shippers who forward milk from flag stations must purchase tickets from nearest point at which they are on sale.

(*e*) Conductors will detach from full cans the bottom coupon of milk ticket and send to Auditor of Passenger Receipts with their Form 40, also Form G.B.D. 34 to be completed by train baggageman.

(*f*) Train Baggageman on return trip of empty cans or crates will detach coupon covering transportation of empty can and send to Auditor of Passenger Receipts.

(*g*) When milk is carried over the runs of two or more Conductors, the first Conductor and intermediate Conductors will simply punch the bottom coupon and Conductor of train to destination will collect and send to Auditor of Passenger Receipts.

(*h*) The Railway Company shall not be liable for the loss of, or damage to, or delay in any shipment of milk or empty cans or crates unless the same be caused by or result from the negligence of the Railway Company or its servants or agents.

7. *Cream:*

Cream must not be shipped in baggage cars at milk rates—it must be shipped by express or freight.

8. *Damage:*

In case of damage to cans or accidental loss of milk in transit, the facts must be immediately reported to the head of the Mail Baggage and Milk Traffic Department of the District, to whom all claims should be sent.

9. *British Columbia Lake and River Steamer Lines:*

The arrangements governing the shipment of milk on Rail Lines will also apply on all British Columbia Lake and River Steamer Lines.

Exception.—The minimum collection on each shipment from irregular ports of call will be twenty-five (25) cents, for example:—

If only one can of milk is shipped on which the rate for transportation would amount to fourteen (14) cents the minimum landing charge of twenty-five (25) cents should be collected; if, however, any shipment on which the transportation charges amount to more than twenty-five (25) cents, regardless of the number of cans the minimum landing charge of twenty-five (25) cents should not be collected.

Certified True Copy

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

C.R.C. No. 1309
(Cancelling C.R.C. No. 540 in as far as milk traffic is concerned also C.R.C. Nos. 1071 and 1273)

Re-issue

CANADIAN PACIFIC RAILWAY COMPANY

EASTERN LINES

SPECIAL TARIFF FOR MILK

30 E.L.

(Cancelling Tariff 100 E.L. so far as Milk charges are concerned, also Fare Advices 3035 and 3051)

Agent With Stamp
[STAMP]
Date Received Here

CHARGES AND INSTRUCTIONS IN RESPECT OF TRANSPORTATION OF MILK IN BAGGAGE CARS ON PASSENGER TRAINS

Issued August 15, 1927 Effective September 1, 1927

INDEX

RULES AND REGULATIONS

1. *Application of Tariff:*

When arranged for in advance, milk in cans will be transported in baggage cars on trains acceptable to the Company at rates as given below.

2. *Rates:*

Between any two stations	Imperial Measure 8 Gallon Cans
For distances 40 miles and under	15 cents
" " over 40 miles up to 150 miles inclusive	20 "

Exceptions:

(*a*) From Erindale, Ont., to Toronto, Ont.
Crates containing 18 one-quart bottles, 25 cents per crate.
" " 20 half-pint bottles, 15 " "
From Erindale, Ont., to Hamilton, Ont., via Guelph Jct.
Crates containing 12 quart bottles or 20 pint bottles, 20 cents per crate.

(*b*) From Beaconsfield, Que., only to Montreal, Que.
Cases of bottled milk containing not more than three gallons, whether in pint or quart bottles, will be carried at same rate as 8 gallon cans are carried.
Cases containing more than 3 gallons of milk each will not be received for carriage on passenger trains.

(*c*) From Montreal (Place Viger Station) to Shawinigan Falls, Que.
Crates containing 12 quart bottles—20 cents per crate.

(*d*) Between Toronto and Montreal—50 cents per 8 gallon can.

(*e*) Between Renfrew and Sudbury—42 cents per 8 gallon can.
Between Eganville and Sudbury—44 cents per 8 gallon can.

3. *Measure:*

The foregoing rates are for Imperial Measure Capacity.

4. *Conditions:*

(*a*) The rates named are for the transportation of milk between any two stations in Canada on the Eastern Lines of the Canadian Pacific Railway to destination and return of the empty containers to original starting points in baggage cars (not iced or provided with cooling device) handled on passenger trains designated by the Railway Company.

(*b*) The rates shown apply only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose will not be carried under this tariff.

(*c*) All the cans must have the name or initials of the owners on the cover or shoulder in stencilled (not painted) letters of a size not less than one inch.

(*d*) All cans must bear the name of the shipping station in stencilled (not painted) letters of a size not less than one inch, the same to be placed on the shoulder of the can.

(*e*) Each can or crate of milk shall have attached to it, in addition to the milk ticket, a shipping tag addressed to the consignee—this tag to be attached by the shipper.

(*f*) Covers of cans must be securely attached to the can to prevent spilling or pilferage of contents and where possible they should be wired on and sealed with lead seals.

(*g*) All cans and crates shall be loaded by the shippers at the shipping point.

(*h*) Where the number of empty cans or crates returned is twenty or less, the unloading at the shipping point will be done by employees of the Railway Company, where the number of cans or crates is more than twenty and less than forty the shippers shall provide one man at the shipping point for the purpose of assisting in the unloading. Where the number of cans or crates is forty or more, the shippers shall provide two men for the purpose of assisting in the unloading, provided that shippers shall not be required to attend at the shipping point to assist in unloading at more than one train each day, and in the event of trains being delayed more than thirty minutes beyond the scheduled time of arrival, all empty cans or crates will be unloaded by the employees of the Railway Company.

(*i*) Consignees must take delivery at door of baggage cars on arrival of trains.

5. *Tickets:*

(*a*) Tickets must be issued consecutively according to number and may be sold singly or in quantities to each purchaser. They are good for one year from date of sale, as stamped on back, and care must be taken to see that starting point and destination is properly filled in and tickets stamped at time of sale. Shippers who forward milk from flag stations must purchase tickets from nearest point at which they are on sale.

(*b*) Conductors will detach from full cans the bottom coupon of milk ticket and send to Auditor of Passenger Receipts with their train report, Form 40, also Form G. B. D. 34 to be completed by train baggageman.

(*c*) Train baggageman on return trip of empty cans will detach second coupon covering transportation of empty cans and send to Auditor of Passenger Receipts.

(*d*) When milk is carried over the runs of two or more Conductors, the first Conductor and intermediate Conductors will simply punch the bottom coupon and Conductor of train to destination will collect and send to Auditor of Passenger Receipts.

(*e*) The Railway Company shall not be liable for the loss of, or damage to, or delay in any shipment of milk or empty cans or crates unless the same be caused by or result from the negligence of the Railway Company or its servants or agents.

6. *Cream:*

Cream must not be shipped in baggage cars at milk rates—it must be shipped by express or freight.

7. *Damage:*

In case of damage to cans or accidental loss of milk in transit, the facts must be immediately reported to the head of the Mail, Baggage and Milk Traffic Department of the district, to whom all claims should be sent.

8. *Billing:*

(*a*) Milk shipped in eight (8) gallon cans will be handled on memorandum billing forms, supply of which can be obtained from the Stationery Agent on application. This will be supplemental to the ticket system now in effect.

(*b*) At stations where the Company has regular agents, such agents will fill in the forms from information supplied by the shippers.

(*c*) At flag stations the billing is to be done by the shippers in legible writing on one form provided the consignments are for the one destination—if more than one destination, separate forms are to be used.

(*d*) Shippers must have their milk at the point of shipment, properly waybilled, at least fifteen minutes before the arrival of the train on which milk is intended to be shipped.

(*e*) Memorandum bills when completed by agents or milk shippers are to be handed train baggageman who will deliver them with the milk to the Baggagemaster at destination.

(*f*) Baggagemaster will take receipt in the proper space from each consignee before removal of the milk from the Company's premises.

(*g*) Memorandum forms to be kept on file in Baggagemaster's office for ninety days, after which time they may be destroyed.

Tariff Certificate as a true copy,

A. WALKER, General Freight Agent.

Re-Issue
Reduction
Addition
Change

C.R.C. No. E. 4615
(Cancelling C.R.C. No. 5. 4609)

C. P. RY. TARIFF No. E. 1355-G CANCELLING No. E. 1355-F

For Carriers' Individual Tariff Numbers, see page 2

CANADIAN PACIFIC RAILWAY COMPANY

LINES WEST FORT WILLIAM, FORT WILLIAM, ONT., AND EAST THEREOF IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN OF PAGE 3

Special Local and Joint Competitive Freight Tariff on Various Commodities Between Stations on the Canadian Pacific Railway Company also to and from Stations on Connecting Lines

Except as otherwise specified, rates named here in apply only between points indicated and must not be used for constructing combination rates.

Governed, except as otherwise provided, by Canadian Freight Classification No. 18, C.R.C. No. 427 (G. C. Ransom, Agent).

Issued December 30th, 1932 Effective January 1st, 1933

C.P.Ry. TARIFF No. E. 1355-G, Page 15

SECTION 2

COMPETITIVE RATES TO MEET MOTOR TRUCK OR MOTOR TRUCK AND WATER COMPETITION; WILL NOT APPLY FROM OR TO INTERMEDIATE POINTS

Item Nos.	Application	Rates in cents per 100 lbs. Except as otherwise specified
1020	Milk, in eight gallon cans, imperial measure, any quantity. From {Embro............Ont. / Woodstock............ " } to Toronto..................Ont. The rate shown applies only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose, will not be carried under this tariff. Expires with March 31st, 1933, unless sooner cancelled, changed or extended. Rate first established Supp. 11 to tariff 1355 E. Eff. June 8, 1932.	(17)15 cents per can.

No. 891

By-law Concerning Milk and to Repeal Sections 18, 19, 20, 21, 22 and 23 of By-law No. 105

(Adopted by the Executive Committee on the 8th June, 1925, and, by the Council, on the 20th July, 1925)

At a meeting of the Executive Committee of the City of Montreal, held at the City Hall, on the eighth day of June, 1925, in the manner and after the observance of the formalities prescribed by law, at which meeting were present: Aldermen Brodeur, Chairman, O'Connell, Bédard, DesRoches and Jarry, members of said Committee, and

At an adjourned special meeting of the Council of the City of Montreal held in the City Hall, on the 20th July, 1925, in the manner and after the observance of the formalities prescribed in and by the Act of incorporation of the said City, at which meeting were present: Alderman J. A. Savard, Acting-Mayor, in the Chair, Aldermen Turcot, Vandelac, Rubenstein, Brodeur, Bédard, Creelman, DesRoches, Généreux, Langlois, Emond, Quintal, Trépanier, Riel, Lalonde, Vaillancourt, Angrignon, Gareau, Mongeon, Tessier, Jarry, Levine, Hogan, Schubert, Watson, Desaulniers, Dubreuil and Legault.

It was ordained and enacted as follows:—

CHAPTER I

Definitions

Article 1.—Whenever the following words occur in this by-law, they shall, unless the context otherwise requires, be understood as follows:—

Milk. (*a*) The word milk shall mean special milk, pasteurized milk, sterilized milk, homogenized milk, skim-milk, fermented milk, condensed milk, dessicated milk, butter-milk, whey and all milk prepared or treated in any way whatsoever.

Cream. (*b*) The word cream shall mean special cream, pasteurized cream, sterilized cream, homogenized cream, ice-cream and all cream prepared or treated in any way whatsoever.

Word "milk" taken individually. (*c*) The word milk taken individually shall mean, unless otherwise specified, milk or cream, whether separated or combined, but always according to the definitions given in paragraphs (*a*) and (*b*) of the present article.

Dealer. (*d*) The word dealer shall mean any person or company selling or having milk in his or its possession for sale, delivery or exchange.

Person. (*e*) The word person shall mean the owner or owners, the president, manager, representative, employee or authorized agent of any company or establishment producing, shipping, storing, selling, transporting or delivering milk.

Shipper. (*f*) The word Shipper shall mean any person shipping or transporting milk which comes from his farm or from another farm.

Supplier. (*g*) The word supplier shall mean any person who produces milk and supplies the same to any shipper or dealer.

Establishment. (*h*) The word establishment shall mean the whole of the buildings (dairy, stable, etc.), and the conveyances, furniture, utensils and apparatus used by dealers, suppliers and shippers respectively for the purposes of their trade.

(*i*) The word dairy shall mean the building or the reserved part of an establishment where milk is received, cooled, stored, sold or kept for sale, handled or treated in any way whatsoever. Dairy.

(*j*) The word creamery shall mean any establishment situated outside of the limits of the City, where milk is received from several suppliers. Creamery.

(*k*) The words utensils and apparatus shall mean the milking machines; the apparatus used for refrigerating, pasteurizing, homogenizing, sterilizing, separating, clarifying, preparing or treating milk in any way whatsoever; the pumps and pipes through which the milk passes; the vessels and apparatus for gathering, measuring, shipping, transporting, receiving, cooling, containing or delivering milk, as well as the devices used for cleaning and drying said vessels, utensils and apparatus. Utensils and apparatus.

(*l*) The word tank shall mean the box, constructed of wood or cement or other material, in which milk is cooled or stored in ice-water. Tank.

(*m*) The word law shall mean the federal laws of Canada, the Quebec Public Health Act, the by-laws of the Board of Health of the Province of Quebec and the by-laws of the City of Montreal. Law.

(*n*) The words health department shall mean the Health Department of the City of Montreal. Health Department.

(*o*) The word city shall mean the City of Montreal. City.

(*p*) The word permit shall mean the written authorization given by the Health Department for the issuing of a licence to a dealer. Permit.

(*q*) The word licence shall mean the authorization given by the City to a dealer to trade in milk. Licence.

CHAPTER II

Dealers to be Licensed

Article 2.—All dealers must, before trading in milk in the City, obtain from the City a licence to that effect. Such licence shall be issued by the City Treasurer, upon presentation of a permit from the Health Department, certifying that the provisions of the present by-law have been complied with, and upon payment of the licence fee specified in By-law No. 432 and its amendments. Licence.

The said licence must be renewed every year on or before the first day of the month of May. To be renewed each year.

Such licence shall be personal and shall not be transferable. Not transferable.

Article 3.—No permit shall be issued before an inspection is made of the establishment of the dealer applying for the same. Inspection of establishments.

Article 4.—Every application for a permit shall be made upon a special form supplied by the Health Department, such form to show:— Special form of application for permit.

(*a*) The name, forename (firm-name, if any) and business-address of the dealer and the nature of the business carried on by the latter. If a company, the name and the business-address of the company, the nature of its business and the names of its president and manager shall be given;

(*b*) The names, forenames and addresses of all the shippers and of all the suppliers with whom the dealer transacts business, together with the quantity of milk received by the dealer from each shipper and each supplier;

(*c*) The names, forenames and addresses of all the suppliers of the shippers with whom the dealer transacts business, together with the quantity of milk received by each shipper from each of his suppliers.

If there are several middlemen between the suppliers and a shipper, the names, forenames and addresses of all the middlemen and of all the suppliers shall be mentioned together with the quantity of milk supplied by each of them;

(*d*) The mode of transportation, the name of the railway station, wharf or place of shipment and of the place of reception.

Notice to be given.

Article 5.—Every dealer to whom a licence has been granted shall, whenever he buys milk from a new supplier, or a new shipper, notify the Health Department of the fact and furnish to the said Department, in each case, the information mentioned in paragraphs (*b*), (*c*) and (*d*) of article 4 of this by-law.

No permit granted and licence revoked in certain cases.

Article 6.—No permit shall be granted to, and the licence issued by the City shall be withdrawn from any dealer:

(*a*) Whose establishment does not meet the requirements of the law;

(*b*) Who refuses to allow his establishment to be inspected at any time;

(*c*) Who refuses or fails to furnish, within three days, any information asked for by the Health Department;

(*d*) Who, after having been duly warned in writing, receives milk from a supplier or shipper or from a shipper's supplier who refuses or has refused to allow his establishment to be visited and inspected, or whose establishment does not meet the requirements of the law;

(*e*) Who, after having been duly warned in writing, receives milk produced, shipped or transported under conditions contrary to the requirements of the law;

(*f*) Who refuses or fails to comply with the provisions of article 5 of this by-law.

CHAPTER III

Storage, Sale, Delivery and Transportation

Tuberculin test and pasteurization.

Article 7.—From and after the 1st of May, 1926, milk sold by any dealer in the City must come from cows which have undergone the tuberculin test within a period of less than twelve (12) months, in accordance with article 155 of the present by-law, and are perfectly healthy, and, with the exception

(*a*) of special milk which conforms to the provisions of article 89 of the present by-law, and

(*b*) of milk which has been sterilized in accordance with article 90 of said by-law.

milk sold by any dealer in the City shall be pasteurized in accordance with the provisions of the present by-law.

Article 8.—The sale of milk is forbidden in abattoirs, butchers' stores, butchers' stalls, fish stores, public markets and in all places where the atmosphere may be detrimental to its quality and wholesomeness, either through uncleanliness of the premises or through the nature of the goods therein exhibited, kept, sold or offered for sale. Sale of milk in butchers' shops, etc., prohibited.

Article 9.—In restaurants, groceries or other stores and in all other places where it is sold by retail, milk shall be received and shall be sold only in bottles and without any decanting. Sale of milk in groceries, restaurants, etc.

This provision shall not apply to cream received in restaurants, groceries or other stores and sold therein by retail.

Article 10.—Vehicles of any description used for the conveyance or delivery of milk shall be clean and shall be exclusively reserved for such purpose. It shall, however, be lawful to convey milk products and eggs at the same time as milk. Vehicles to be clean.

Each vehicle shall bear, on both sides, an inscription indicating the name (or firm-name), forename or initials and address of the dealer in letters not less than three (3) inches high by two (2) inches wide.

Article 11.—In railway cars, boats and other conveyances, milk cans and other milk containers, whether empty or filled, shall not be placed with other goods or articles which are dirty or which emit a bad odour. Cans and other containers not to be in contact with dirty goods.

Article 12.—Cans and bottles and other milk containers used for the transportation or delivery of milk shall be protected from the sun, mud, dust and flies, whether filled or empty, and shall be kept in a clean atmosphere. Milk containers not to be exposed to sun, dust. etc.

Article 13.—Cans and other receptacles containing milk must be properly stoppered. Cans, etc., to be stoppered.

Article 14.—It is forbidden to decant milk on a wharf, on the platform of a railway station or on a public road. Decantation of milk on wharf, etc., prohibited

Article 15.—It is forbidden to allow any milk cans or other milk containers, whether filled or empty, to remain on a public road. Cans not to be allowed to remain on a public road.

Article 16.—It is forbidden to carry water at the same time as milk in any conveyance used for transporting or delivering milk. Carrying of water forbidden.

Article 17.—No person shall return to a dealer any empty bottles or cans which have not been washed. Bottles, etc., to be washed before being returned.

Article 18.—No bottles or cans shall be used for subsequent delivery of milk without having been first washed, in accordance with article 30 of this by-law. Bottles, etc., to be washed before each delivery of milk.

Cans and other containers to be washed before being placed on a wharf, etc.

Article 19.—No milk cans or other milk containers shall be returned empty or placed on a railway station platform or wharf or elsewhere without having first been properly washed, in accordance with article 30 of this by-law.

Labels on cans.

Article 20.—All cans used for shipping, transporting, storing, selling or delivering milk shall bear a label indicating, in visible and legible type, the names, forenames and addresses of the shipper as well as of the supplier and consignee.

Name of dealer to be inscribed on all receptacles.

Article 21.—All bottles or other receptacles containing milk, in the possession of a dealer, shall bear an inscription indicating the name, forename (or firm name) and address of the latter.

Such inscription may be made on the cardboard stopper.

The provisions of this article shall not apply to retail dealers, who shall receive and sell milk only in bottles.

Sealing of cans.

Article 22.—All cans used for shipping or transporting milk shall be sealed with a lead seal or in any other efficient manner.

Unlabelled and unsealed bottles or cans may be confiscated or destroyed.

Article 23.—The contents of any milk bottle or can which is not labelled or sealed, in accordance with articles 20, 21 and 22 of this by-law, may be confiscated or destroyed.

The Director of the Health Department may dispose of the milk confiscated, in virtue of this article, for charitable purposes.

Cans not to be left for more than 30 minutes on railway platforms or wharves.

Article 24.—Cans or other receptacles containing milk shall not be placed on a railway station platform or wharf more than thirty (30) minutes before the departure of the train or boat, nor be left there for more than thirty (30) minutes after the arrival of the train or boat, from the 1st of May to the 1st of October.

Bottling of milk outside of dairy, etc., prohibited.

Article 25.—Dealers are forbidden:—

(*a*) To bottle milk elsewhere than in the dairy;

(*b*) To receive or have in their possession milk in a can the aperture of which has a diameter of less than four (4) inches;

(*c*) To receive or have in their possession milk the temperature of which is above fifty (50) degrees Fahrenheit.

Designation of the quality of milk.

Article 26.—Dealers are also forbidden to use, for the purpose of designating the quality of milk, any inscriptions other than those prescribed in the present by-law.

Any dealer may, however, with the authorization of the Health Department, add to such inscriptions a special mark, whereby his product can be distinguished from that of another dealer.

CHAPTER IV

Utensils and Apparatus

Utensils and apparatus to be kept in good order.

Article 27.—The utensils and apparatus used in the milk trade shall be reserved exclusively for the handling of milk and shall be kept in good order, their different parts to be solidly welded, the grooves to be well filled with solder and the surface in contact with the milk to be smooth, even and free from rust. All such utensils and apparatus shall be of recognized sanitary design.

Article 28.—The different parts of the milking machine shall be rinsed with cold water or lukewarm water immediately after, and each time, it has been used, and shall then be cleansed in accordance with article 30 of this by-law. Parts of milking machine to be washed.

Article 29.—The tubes of the milking machine shall be kept in the dairy in a non-oxidizable metallic receptacle, with a tightly closing cover. Tubes to be kept in dairy.

The other parts of the milking machine shall also be kept in the dairy, after they have been cleansed.

Article 30.—The utensils and apparatus, after having been rinsed with lukewarm or cold water, shall be cleansed in a hot soap or alkaline solution, rinsed again to completely remove the solution used and then sterilized with boiling water or steam. Utensils and apparatus to be kept clean.

They shall always be kept perfectly clean until they are used again. Milk receptacles shall be placed upside down.

Article 31.—The utensils and apparatus and the cardboard caps for stoppering bottles shall be kept in the dairy and shall be protected against flies, dust and all contamination. Utensils, apparatus and card-board caps to be kept in dairy.

Article 32.—Any can or other container, utensil or apparatus used in the sale, delivery or handling of milk, which is found unsuitable for such purposes owing to its being worn out or on account of its rusty state inside or outside or owing to its being in such condition that it cannot be cleaned or made salubrious by washing, shall be condemned by the inspectors of the Health Department. Worn-out utensils and apparatus.

Each can, container, utensil or apparatus thus condemned shall be marked with a stamp or label, so as to visibly show that it has been condemned and, after having thus been condemned and stamped, it shall not be used by any person whomsoever for the sale, delivery, shipment or handling of milk.

CHAPTER V

Dairy

Article 33.—All persons dealing in milk shall have a dairy exclusively reserved for milk and for the apparatus and utensils required for handling the same. Dairy.

Article 34.—With the exception of dairies the owners of which hold a dairy licence issued previous to the coming into force of this by-law, the dairy shall be a special building located at a distance of not less than twenty (20) feet from any stable, cattle-shed, sheep-fold or chicken-coop, and of not less than one hundred (100) feet from any unsanitary establishment, pig-pen, privy, manure heap or refuse heap of organic origin; if the manure is put in a tight and properly closed concrete box with a sufficiently high ventilator, the distance from the dairy to the manure box may be reduced to twenty (20) feet. Site.

Article 35.—The floor of each room of the dairy shall be made of cement, stone, cemented bricks or other water-proof material. Floors.

Windows.

Article 36.—The dairy shall have windows with a glass area equal to at least one-tenth ($\frac{1}{10}$) of the floor area.

Windows not to be obstructed.

Article 37.—Windows shall not be obstructed by any building or in any other manner whatsoever.

Fly-screens.

From the first day of May to the first day of November, the doors and windows shall be provided with efficient fly-screens.

Walls, etc., to have a smooth surface.

Article 38.—The ceiling, walls and floor of each room shall have a smooth surface, free from holes and cracks.

Drainage and ventilation.

Article 39.—All the rooms shall be provided with a sanitary drainage system and an efficient ventilation system.

Painting.

Article 40.—The inside walls and the ceiling of the dairy, as well as the tank, ice-box, racks and tables, shall be painted in white or in a light colour or white-washed.

Refrigeration and storage.

Article 41.—The dairy shall be provided with a tank, an ice-box or a refrigerating-room exclusively reserved for the cooling and storage of milk, butter or other milk products or eggs. All the interior surface of the tank, refrigerating-room or ice-box shall be kept clean.

Tank.

Article 42.—The tank shall have a cover and shall be so constructed as to be emptied through the bottom.

When the tank is built into the ground, its upper edge shall be higher by at least six (6) inches than the surface of the floor of the dairy.

Certain operations forbidden in the dairy.

Article 43.—The manufacture of butter or cheese, the fermentation of cream, the preparation of buttermilk, fermented milk or casein, the washing of cans and bottles and all other similar operations shall be performed in separate and special rooms of the dairy.

(*a*) This article shall not apply to the supplier who ships only milk produced in his establishment, provided that he does not ship more than one hundred (100) gallons of milk per day.

(*b*) The manufacture of butter shall be allowed in the pasteurization-room or in the bottling-room.

Rooms and out-buildings not to be used as a dairy.

Article 44.—It is forbidden to use as a dairy any room whatsoever in a dwelling, a summer kitchen, an extension, the cellar of a dwelling or store, a shed or a coach-house; a dairy may, however, be built close to or, in the case of an owner holding a dairy licence issued previous to the coming into force of this by-law, in the cellar of a shed, of a coach-house or of a house, provided that the said dairy be separated from the same by a solid wall or a solid floor, as the case may be, without any opening communicating with the inside of such shed, coach-house or house.

Privy, etc.

Article 45.—If there is a privy in the building, the same shall have a window opening outwards with a glass area equal to at least one-tenth (1/10) of the floor area. A sky-light shall be allowed. The privy shall be separated from the dairy by a vestibule or passage,

the door of the privy and that of the vestibule leading into the dairy shall close automatically.

The number of compartments, in the privy, and the number of urinals and wash-basins shall be proportionate to the number of employees. Soap and towels shall be supplied. The use of roller-towels is prohibited.

Article 46.—Every dairy shall be provided with a cloak-room for the exclusive use of the employees. Cloak-room.

Such cloak-room shall be so constructed as to have no direct communication with those parts of the dairy where the milk is handled, and shall conform to the by-laws of the Health Department.

Article 47.—It is forbidden to put away and keep in the dairy any worn-out apparatus or untensils or other objects not used in handling the milk. Old utensils.

Article 48.—In a restaurant, grocery or other store, a tank or a special ice-box or a refrigerating-room may be used as a dairy for the storage of milk, butter, lard and eggs only; cheese may also be stored therein, provided that it be so stored in a compartment separated from that in which the milk is kept. Dairies in stores.

Article 49.—The water used in the dairy shall be clear, clean, wholesome and free from any bad odour, and the source from which it is derived shall be protected against all contamination. Water to be wholesome.

Article 50.—The ice used for cooling or preserving milk shall be clean and wholesome, and the water from which it is formed shall be free from all contamination. Ice.

Article 51.—The interior of the dairy and its surroundings shall be kept thoroughly clean. Cleanliness.

Article 52.—The sides of the tank and ice-box, the ceiling, the walls and floors of the refrigerating-room and of all the rooms of the dairy shall be free from mould. Mould.

Article 53.—No domestic animals shall be allowed to go into the dairy. Domestic animals to be excluded.

Article 54.—Dealers and their employees shall always be clean about their person and shall wear clean clothes, and the use of tobacco, under any form whatsoever, as well as any expectoration are strictly prohibited in the dairy. Cleanliness of dealers, etc.: use of tobacco and expectoration prohibited.

CHAPTER VI

Stable

Article 55.—The floor of every new stable, or of every stable the flooring whereof is to be repaired or renewed, shall be constructed of cement or other water-proof material, and there shall be, in every such stable, a gutter not less than seven (7) inches deep by at least fourteen (14) inches wide, immediately behind the animals. Floor and gutter.

Liquids shall flow outside in a covered ditch or may be gathered in some absorbent material.

Floors to slope.

Article 56.—The floors shall slope towards the gutter.

Width of floor.

The width of the floor between the wall and each row of cows or between two rows of cows, placed tail to tail, shall be at least six (6) feet.

Walls and ceiling.

Article 57.—The ceiling and walls of the stable shall have a smooth surface, without any cracks where dust might gather.

Air space.

Article 58.—The number of animals to be housed in the stable shall be limited so that there shall be a space of at least five hundred (500) cubic feet for each of them.

Lighting.

Article 59.—The glass area of the windows shall be equal to at least one twentieth (1/20) of the floor area.

Windows.

Article 60.—The windows shall not be fastened but shall admit of their being opened, as far as possible downwards.

Ventilation.

Article 61.—The stable shall have an efficient ventilation system.

General cleanliness.

Article 62.—The stable and its surroundings shall be constantly kept clean.

Troughs and mangers to be emptied each day, etc.

Article 63.—The troughs and mangers shall be emptied every day. The manure shall be removed, the litter shall be renewed and the stable shall be swept twice a day.

Dust and cobwebs.

Article 64.—The ceiling, walls and windows of the stable shall be kept free from dust and cobwebs, while the animals are stabled.

Whitewashing and painting.

Article 65.—The ceiling and walls shall be white-washed between the 1st of October and the 15th of November; if painted, the paint shall be cleaned once a year.

Drainage of stable-yard.

Article 66.—The stable-yard shall be drained or sloped in order that the water may easily flow off.

Manure.

Article 67.—It is forbidden to deposit any manure in the stable-yard; manure shall be carried to a distance of at least fifty (50) feet from the stable, unless it be kept in a tight and properly closed cement box, without any communication with the stable, and provided with an efficient ventilation system.

Poultry and pigs to be excluded.

Article 68.—It is forbidden to keep poultry or pigs in the stable.

Pigsty.

Article 69.—The stable shall be located at a distance of at least forty (40) feet from the pigsty.

CHAPTER VII

Cows and Milking

Cows to be free from any disease.

Article 70.—Cows shall be free from any disease. Any cow suspected to be diseased shall be isolated in special quarters apart from the stable.

The quarters which have been occupied by an animal affected with a contagious disease shall be disinfected, in accordance with the instructions given by the Health Department. Disinfection.

Article 71.—Cows shall be fed with wholesome food. Feed.

Article 72.—The water given to cows shall be pure and its source shall be protected against all contamination. The well shall have a curb to prevent the surface water from flowing into it; it shall not be dug into the subsoil of the stable, but shall be located at a distance of at least forty (40) feet from the stable, the pigsty and any manure or organic refuse heap, unless it be an artesian or tubular well. Water.

Article 73.—The cows shall be constantly kept clean, without any stain from dust, mud or dung. They shall be groomed each day and be given an abundant litter of straw, sawdust, shaving or other absorbent material. Cows to be kept clean.

Article 74.—The distribution of dry fodder, the cleaning up of the stable and the taking out of manure shall be done at least thirty (30) minutes before milking time. Cleaning-up of the stable.

Article 75.—Cows shall be milked at least once every twenty-four (24) hours. Milking every 24 hours.

Article 76.—The udder, teats, sides and tail of each cow shall be cleansed before milking. Cleanliness during milking.

Article 77.—The stool used by milkers during milking shall be clean. Stool.

Article 78.—The milker shall wash his or her hands before milking, shall be clean about his or her person and shall wear clean clothes. Cleanliness of milker.

Article 79.—The first gushes from each teat shall not be gathered in the pail with the rest of the milk, but shall be thrown away. First gushes of milk.

Article 80.—Immediately after milking, the milk shall be taken to the dairy and strained through a piece of flanellette doubled up, or in any other manner approved of by the Health Department. Filtering of milk.

Article 81.—Cloths used for straining milk shall be washed after each operation and scalded for at least fifteen (15) minutes and kept in a clean place. Cloths to be kept clean.

Article 82.—After milking, the milk shall be directly strained into the can in which it is to be stored or transported. Milk to be strained directly into can.

Article 83.—The cooling of the milk shall be proceeded with immediately after milking. Cooling of milk.

(*a*) Milk shall be cooled down by immersing in ice-water the can in which it has been poured, or in any other manner approved by the Health Department.

(*b*) Milk shall be cooled down to at least forty-five (45) degrees Fahrenheit, within two hours following the milking.

(c) Milk shall be kept at or below forty-five (45) degrees Fahrenheit.

Milk not to be cooled in a well, etc.

Article 84.—It is forbidden:—

(a) To cool or preserve milk in a well;
(b) To milk cows on dirty ground.

CHAPTER VIII

MILK

Definition.

Article 85.—Milk is the wholesome, pure and whole product obtained through the complete and uninterrupted milking, under proper conditions, of one or more healthy cows, properly fed and taken care of and which have undergone the tuberculin test, in accordance with article 155 of the present by-law, to the exclusion of the milk obtained during the thirty (30) days preceding and the ten (10) days following calving.

Contents and density.

Article 86.—Milk shall contain at least three and one-fourth (3·25) per cent of milk fat and sixty-eight hundredths (0·68) of one per cent of salts. The total of solids of milk other than fat shall be at least eight and a half (8·5) per cent. Milk must not contain a proportion of water higher than eighty-eight and twenty- five hundredths (88·25) per cent. The density shall not be below 1·029 nor above 1·033.

Foreign matter.

Article 87.—Milk shall contain no preservatives, antiseptics or any other foreign matter and no pathogenic bacteria; it shall not show any abnormal physical character, such as bitterness, viscosity or colouring in red, yellow or blue; its taste or smell shall reveal no contamination; it shall be free from any soiling by flies or other insects, or by dung or any other substance.

Old milk not to be received, etc.

Article 88.—It is forbidden:—

(a) To receive milk older than thirty-six (36) hours, with the exception of the Saturday milk;
(b) To have in one's possession milk older than forty-eight (48) hours;
(c) To ship, receive or have in one's possession milk the degree of acidity of which is above twenty-one hundredths (0·21) of one per cent, or below sixteen hundredths (0·16) of one per cent;
(d) To have in one's possession or sell milk from which a portion of the fat has been removed;
(e) To have in one's possession or sell milk to which skim-milk or cream, or condensed milk, or dessicated milk has been added.

The provisions of this article shall not apply to cream. It is, however, forbidden to receive, have in one's possession, ship or sell cream the degree of acidity of which is above sixty hundredths (0·60) of one per cent, or cream having a bad odour or a bad taste; taste of coal-oil, of thlaspi (shepherd's purse), of onion, etc.

Special Milk

Article 89.—Special Milk is milk which meets the following requirements:— Definition.

(*a*) It must not contain more than fifty thousand (50,000) bacteria per cubic centimeter from June to September inclusive, or more than twenty-five thousand (25,000) bacteria per cubic centimeter from October to May inclusive.

(*b*) It must not have been pasteurized nor sterilized.

(*c*) It must have been cooled down to at least forty-five (45) degrees Fahrenheit within thirty (30) minutes after milking and kept at that temperature or at a lower temperature until delivered to the consumer.

(*d*) It must come from a farm whose owner and employees have filed, each year, with the Health Department of the City, a certificate of good health, signed by a licensed physician.

(*e*) It must come from a farm which has obtained at least 80 points on the dairy score card. any contestation in connection with such points, as far as the sale of special milk is concerned, to be submitted, for final decision, to a committee composed of three inspectors of the Health Department.

Sterilized Milk

Article 90.—Sterilized milk is milk all the component parts of which have been uniformly heated during at least thirty (30) minutes, at a temperature of at least two hundred and thirty (230) degrees Fahrenheit, without any drop in the temperature during the operation, or which has been sterilized by any other physical process approved by the Health Department. Sterilization must have been done in hermetically closed bottles or other receptacles, which shall not be opened until the moment when the milk is consumed. The milk must be sterile; it must not contain, before sterilization, more than two-tenths (0·2) of one per cent of acidity, nor more than one hundred thousand (100,000) bacteria per cubic centimeter. Definition.

Pasteurized Milk

Article 91.—Pasteurized milk is milk all the component parts of which have uniformly been heated during at least thirty (30) minutes at a temperature of one hundred and forty-two (142) to one hundred and forty-five (145) degrees Fahrenheit, without any drop in the temperature during the heating. The milk must have been cooled down, within forty-five (45) minutes immediately after the operation, to a temperature of at least forty-five (45) degrees Fahrenheit and kept at that temperature until delivered to the consumer. Pasteurized milk is also milk which has been pasteurized by any other physical process approved of by the Health Department. Definition.

It must not contain, at the time of delivery to the consumer, more than one hundred thousand (100,000) bacteria per cubic centimeter.

Article 92.—The pasteurization and the cooling of milk shall be done in properly closed apparatus. Apparatus to be properly closed.

Recording thermometer.

Article 93.—Every pasteurization and sterilization apparatus shall be provided with a recording thermometer in good order. The Health Department may, moreover, adapt to such apparatus its own recording thermometer. The records shall be removed at each pasteurization or sterilization and communicated to the Health Department, according to the instructions given to dealers.

Bottling.

Article 94.—Pasteurized milk shall, immediately after pasteurization and before being removed from the establishment where it has been pasteurized, be put in bottles or cans, which shall previously be washed and sterilized and which shall be properly closed immediately after bottling; such milk shall be delivered, sold or kept in its containers, without any subsequent decanting.

Pasteurized milk may be put in cans only when sold for culinary or industrial purposes.

Labelling.

Article 95.—Each receptacle containing special or sterilized or pasteurized milk shall bear a label or an inscription showing, in visible type, the name of the product, preceded by the word special, sterilized or pasteurized, according to the contents.

Re-pasteurization, etc., of milk prohibited.

Article 96.—Pasteurized or sterilized milk shall not be re-pasteurized, or re-sterilized nor blended with non-pasteurized or non-sterilized milk.

Cream

Definition.

Article 97.—Cream is that part of the milk which forms a layer on the surface of milk when left to settle or which is separated from milk through centrifugal force. It contains fat and a variable proportion of all the other constituents of milk.

Percentage of milk fat.

Article 98.—Cream shall not contain less than ten per cent (10 per cent) of milk fat.

Labelling.

Article 99.—Each cream container shall bear an inscription showing, in visible type, the percentage of milk fat which the cream contains, as follows:

Ten per cent (10 per cent) cream, if it contains ten per cent (10 per cent) or more, but less than fifteen per cent (15 per cent).

Fifteen per cent (15 per cent) cream, if it contains fifteen per cent (15 per cent) or more, but less than twenty per cent (20 per cent).

Twenty per cent (20 per cent) cream, if it contains twenty per cent (20 per cent) or more, but less than twenty-five per cent (25 per cent).

Twenty-five per cent (25 per cent) cream, if it contains twenty-five per cent (25 per cent) or more, but less than thirty per cent (30 per cent).

Thirty per cent (30 per cent) cream, if it contains thirty per cent (30 per cent) or more.

Cooling.

Article 100.—Cream shall be cooled down to fifty (50) degrees Fahrenheit within three hours after skimming, and kept at or below that temperature until time of delivery.

Butter-Milk

Article 101.—Butter-milk is the product left after butter is extracted from milk or from cream, through churning. Definition.

Article 102.—If butter-milk is intended to be sold for human consumption, the milk which is to be churned into butter shall be pasteurized before being so churned. Pasteurization.

Article 103.—Every butter-milk container shall bear a label with the words "Butter-milk." Labelling.

Skim-milk

Article 104.—Skim-milk is milk from which cream has been abstracted wholly or in part; it shall contain the solids of milk other than fat in a proportion of nine (9) per cent. Definition.

Article 105.—Skim-milk intended to be used for human consumption shall be pasteurized. Pasteurization.

Article 106.—Every receptacle containing skim-milk shall bear a label with the words " Skim-milk." Labelling.

Goat's Milk, Etc.

Article 107.—The production, handling and sale of goat's milk, ewe's milk and milk from any other animal shall be subject to the provisions of the present by-law. By-law to apply to goat's milk, etc.

Article 108.—Every bottle or other receptacle containing milk from any animal other than a cow shall bear an inscription showing, in visible type, the kind of milk it contains. Labelling.

Ice-cream

Article 109.—Ice-cream is the iced product made with cream and sugar, or with milk, cream and sugar. Definition.

Article 110.—To ice-cream may be added colourings, flavours, fruit, almonds, gelatine, tragacanth gum or any other edible substance. Foreign matter.

Article 111.—Colourings and flavours allowed in the manufacture of ice cream shall be those approved of by the Federal law of Canada (" The Adulteration Act"). Colourings and flavours.

Article 112.—Gelatine, tragacanth gum or other substances utilized to thicken ice-cream shall not be used in a proportion higher than two (2) per cent. Thickening matter.

Article 113.—The proportion of milk fat in ice-cream shall not be below seven per cent (7%). In no case shall it be below the proportion prescribed by the Federal law of Canada. Milk fat.

Article 114.—Melted ice-cream shall not be returned to the manufacturer, nor accepted by him unless the container has been left unopened. Melted ice-cream not to be returned.

Containers.

Article 115.—Edible cones and other containers in which ice-cream is served to consumers shall be constantly protected from dust, flies and any contamination.

Fermented Milk

Definition.

Article 116.—Fermented Milk is milk which has been treated by the addition of a ferment.

Pasteurization.

Article 117.—Fermented milk shall be pasteurized previously to the addition of a ferment.

Labelling.

Every fermented milk container shall bear a label with the words "Fermented Milk."

Whey

Definition.

Article 118.—Whey is the product which is left after the extraction of cream and casein from milk.

Whey intended to be used for human consumption shall be pasteurized.

Labelling.

Each whey container shall bear a label with the word "Whey."

Desiccated Whey

Definition.

Article 119.—Desiccated Whey is the dry product obtained through rapid evaporation of the water from whey.

Condensed Milk

Definition.

Article 120.—Condensed or Concentrated or Evaporated milk is milk the original volume of which has been reduced through the rapid evaporation of a part of its water.

Foreign matter.

Article 121.—Condensed milk may be sweetened with sugar, but shall not contain any other foreign matter.

Contents.

Article 122.—Condensed milk shall contain at least seven and two-tenths (7·2) per cent of milk fat and at least eighteen and eight-tenths (18·8) per cent of solids other than milk fat, exclusive of added sugar.

Desiccated Milk

Definition.

Article 123.—Desiccated Milk or Milk Powder is the dry product obtained through the rapid evaporation of the water in milk.

Foreign matter.

Article 124.—Desiccated milk shall not contain any foreign matter whatsoever.

Solids of desiccated milk.

Article 125.—Desiccated, concentrated or evaporated milk shall contain at least ninety-five (95) per cent of the solids of milk.

Sale allowed in original container only.

Article 126.—The sale of condensed, concentrated or evaporated skim-milk and of desiccated or powdered skim-milk shall be allowed in the original container only; the words "Skim-milk" or "Separated Milk" followed by the words "Not to be given to young children without consulting a physician," shall be inscribed on each container.

Alimentary Casein

Article 127.—Alimentary Casein is the dry product from coagulated milk. Definition.

Article 128.—The milk from which alimentary casein is extracted shall be pasteurized in accordance with the present by-law. Pasteurization.

Article 129.—The Health Department may forbid the use of acid or of an alkali in the manufacture of alimentary casein, or the addition thereto of any substance which it may deem noxious to public health. Foreign matter.

Maternized Milk—Homogenized Milk—Modified Milk—Lactated Foods

Article 130.—Maternized Milk is milk prepared in such a manner that its chemical composition resembles that of mother's milk. Definition.

Article 131.—Modified Milk is milk the chemical composition of which has been altered. Definition.

Article 132.—Homogenized Milk is milk in which the fat globules have been mechanically divided so that the fat may be uniformly distributed and may not again be separated. Definition.

Article 133.—Lactated Foods are products obtained by mixing milk, condensed milk, desiccated milk or alimentary casein with wheat flour or the flour of any other cereal. Definition.

Article 134.—Maternized, modified and homogenized milk, lactated foods and any other food intended for the nutrition of children shall not be prepared for the purpose of offering the same for sale, except with the authorization of the Health Department. Authorization to prepare maternized milk, etc., required.

Other Milk Products

Article 135.—The Health Department may authorize the sale of milk products other than those mentioned in this by-law, provided that such products be subject to the provisions of said by-law. Sale of other milk products allowed, on certain conditions.

Indication of the Product

Article 136.—Every receptacle containing pasteurized milk, sterilized milk, special milk, cream, buttermilk, skimmed milk, fermented milk, homogenized milk, whey, maternized milk, modified milk, or other product or by-product of milk shall bear a label or an inscription showing, in visible type:— Inscription on containers.

(*a*) The name of the product according to its definition, as given in the present by-law.

(*b*) The name, forename (or firm-name) and address of the dealer.

Article 137.—Every receptacle containing condensed milk or cream, desiccated milk, desiccated why, evaporated milk, alimentary casein, lactated food or other similar product shall bear a label showing, in legible type:— Labelling.

(*a*) The month and year when each receptacle has been filled;
(*b*) The name, forename (or firm-name) and address of the manufacturer.

CHAPTER IX

Adulterated or Unwholesome Milk

Definition.

Article 138.—Shall be considered as adulterated or unwholesome milk, any milk, its products and by-products:

(*a*) Which do not conform to their definition as given in the present by-law;
(*b*) Which do not conform or which are derived from milk which did not conform to the provisions of articles 85, 86 and 87 of this by-law;
(*c*) Which are not produced, shipped, transported, stored, treated, prepared, sold, delivered or kept in accordance with the provisions of the present by-law.

Sale, etc., of adulterated or unwholesome milk prohibited.

Article 139. It is forbidden to sell, transport, receive or keep in one's possession adulterated or unwholesome milk.

All milk found in any establishment or in the vehicle of any dealer shall be considered as being intended to be used for human consumption.

CHAPTER X

Contagious Diseases and Vaccination

Persons affected with contagious diseases or exposed to contagion.

Article 140.—No person affected with, or coming in contact with a person suffering from any contagious disease shall enter the establishment of a dealer, or milk any cows or other animals, or wash or transport any untensils, or deliver or sell milk or do anything whatsoever in connection with the milk trade.

Infected persons not to be admitted into an establishment, etc.

Article 141.—Dealers are forbidden to admit into their establishments any person suffering from any contagious disease, or who has come in contact with a person affected with such a disease or to allow such person to milk cows or other animals, to wash and transport untensils, to deliver or sell milk, or to do anything whatsoever in connection with the milk trade.

Notice to Health Department.

Article 142.—Any person suspecting that he or she is affected with a contagious disease, or that any member of his or her family is so affected, or that any person with whom he or she may have come in contact is so affected, shall immediately report the fact to the Health Department and refrain from milking cows or other animals, from washing or transporting utensils, from delivering or selling milk and generally from doing anything whatsoever in connection with the milk trade, until a permit to resume such operations has been granted to him or her by the Health Department.

Disinfection of receptacles.

Article 143.—Whenever a case of contagious disease exists in a house, the receptacles in which milk is delivered shall not be taken back by the dealer nor returned by the customer, until the latter has obtained from the Health Department a certificate to the effect that such receptacles have been disinfected.

Article 144.—Dealers and their employees must have been successfully vaccinated since less than seven (7) years. Vaccination.

Article 145.—Whenever any dealer ascertains or suspects that any of his animals suffer from a contagious disease, he shall immediately notify the Health Department of the fact and cease trading in milk, until he is authorized to resume such trade by a permit issued by the Health Department. Diseased animals.

CHAPTER XI

Enforcement of By-law

Article 146.—The Health Department is entrusted with the enforcement of the present by-law. By whom by-law to be enforced.

Article 147.—The officers of the Health Department shall carry about them a certificate signed by the Director of the Health Department or wear a badge, showing on what authority they are acting. They shall exhibit such certificate or badge whenever required to do so. Badge or certificate.

Article 148.—The officers of the Health Department are authorized to enter, at any time, the establishment of any dealer, to visit the premises and to remain therein as long as may be necessary to make a thorough inspection thereof. They are also authorized to board any railway car, boat or vehicle used for transporting or delivering milk. Inspection of establishments and vehicles.

Article 149.—The officers of the Health Department are further authorized to open and inspect, at any time and at any place, all cans or other milk containers (sealed or not), whether filled or empty, to examine the milk and to collect samples thereof. Inspection of containers.

Article 150.—When collecting a sample of milk for chemical analysis, the officers of the Health Department shall divide it into three parts, which shall be poured into three bottles, to each of which shall be affixed a label on which shall be inscribed a number and the words sample for chemical analysis, with mention of the date and hour when and of the exact place where the sample was collected, and which shall bear the signature of the officer. The latter shall seal the three bottles and deliver one to the dealer or his employee and take the other two to the Municipal Laboratory, where one shall be used for analysis and the other kept for controlling purposes, in case the dealer should enter a contestation. Collection of sample of milk.

Article 151.—The officers of the Health Department are authorized: Confiscation of containers and of milk in certain cases.

(*a*) To confiscate and destroy or colour to make it unfit for human consumption, any milk which is adulterated or unwholesome, according to the definition given in the present by-law;

(*b*) To retain, confiscate and destroy (or denature and return to the shipper) milk or cream which has been or is being produced, cooled, shipped, transported, stored, sold, offered for sale, delivered or kept under conditions contrary to law;

(c) To affix on all cans or other milk containers retained or confiscated, or the contents of which have been retained, confiscated, destroyed or denatured, one or more labels showing the reason why the same have been so retained, confiscated, destroyed or denatured.

Interference with duties of officers of Health Department forbidden, etc.

Article 152.—Dealers and any other persons are forbidden:—

(a) To interfere with the duties of the officers of the Health Department;

(b) To maculate, soil, tear, destroy, or remove any label affixed on cans or other milk receptacles;

(c) To displace, touch, remove, or take away any can or other milk container which has been or is being retained or confiscated, or the contents of which have been or are being retained, confiscated, destroyed or denatured.

The officers of the Health Department may arrest any person violating the provisions of the present article.

Order to cease shipping, etc., milk may be given in certain cases.

Article 153.—Whenever an officer of the Health Department ascertains that a dealer is infringing any of the articles of the present by-law, he may order said dealer, in writing, to cease shipping, transporting or receiving milk, or to refrain generally from doing anything whatsoever in connection with the milk trade, until authorized to resume such trade by a permit from the Health Department.

Sale of milk which does not conform to the provisions of the by-law, prohibted.

Article 154.—It is forbidden, under the penalty provided in article 162 of this by-law, to sell in the City any milk or cream unless it be special milk or cream, or pasteurized milk or cream, or sterilized milk or cream, such milk or cream to come from cows which have undergone the tuberculin test, in accordance with article 155 of the present by-law, and are perfectly healthy, and to meet the other requirements of said by-law.

CHAPTER XII

Tuberculin Test

By whom and how tuberculin test to be made.

Article 155.—The tuberculin test of milch cows shall be made in accordance with the provisions of the federal "Animal Contagious Diseases Act" or of any other Act deemed equivalent by the Health Department, or by a duly licensed veterinary surgeon, appointed by the Provincial Government to have milch cows subjected to the tuberculin test.

When an animal undergoing the tuberculin test shows no sign of reaction, it shall be considered as non-tuberculous and classed as such during the twelve (12) months following said test. A new test shall be made periodically every twelve months.

If an animal reacts, it shall be classed as tuberculous and shall be branded with a permanent mark; it shall be immediately separated from the healthy herd and all the milk from said herd shall be pasteurized before being used or sold, as long as any animal having shown a reaction shall remain in the possession of the supplier. Milk from an animal which has reacted shall not be mixed with the milk from other animals, nor shall it be sold for consumption.

Every animal presenting a doubtful reaction shall be isolated at once and shall undergo a new test at the expiry of sixty (60) days from the date of the first test; during this period its milk shall not be sold for consumption, unless all the milk from the herd of which such animal forms part be pasteurized in accordance with the provisions of this by-law.

Every new animal introduced into a herd shall first be isolated and shall undergo the tuberculin test not later than five (5) days after its arrival. It shall be admitted into the common herd only after having been recognized as non-tuberculous.

The Health Department shall be notified immediately of the arrival of any new animal.

The owner of the cattle shall furnish the Health Department yearly with an official chart, showing that all the animals of his herd have undergone the tuberculin test and indicating the results of such test.

Bacteriological Analysis

Article 156.—The qualitative and quantitative bacteriological analysis shall be made according to the Standard Method of the American Public Health Association. By whom and how made.

Acidity of Milk

Article 157.—The examination of the milk for the research of acidity shall be made with a Dornic Acidimeter or its equivalent. Determination.

Cleanliness of Milk

Article 158.—The examination of the milk for testing its cleanliness shall be made with an Omrsby Lacto-Sedimentator or its equivalent; the deposit upon the cotton pad shows the degree of dirtiness. Determination.

Dairy Score Cards

Article 159.—The degree of sanitation of an establishment and of the methods of handling milk shall be determined by means of two (2) dairy score cards, one of which, entitled Dealer's Dairy Score Card, shall be used for dealers, and the other, entitled Supplier's Dairy Score Card, shall be used for suppliers and for shippers. Both these score cards shall be as per the following forms:— How degree of sanitation of establishments and of methods of handling milk to be determined.

DEALER'S DAIRY SCORE CARD

No. ......

HEALTH DEPARTMENT, MONTREAL—Food Inspection Division (Milk)

Name...
Parish or town.................................Country.........................
No. ....Street.....................................
President...
Manager...
Number of waggons...
Number of gallons sold daily..
Milk...Cream.........................

Date...............................19....	Max.	Allowed	Remarks
DAIRY—			
Situation..	2	....	
Cement floor	2	....	
Drainage	3	....	
Tight walls and ceilings..................................	2	....	
Lighting (glass area equal to 1-10 of the surface of the floor)..	2	....	
Ventilation..	2	....	
Pure water supply..	2	....	
Surface of the floor (2 ft. per gallon of milk received)....	3	....	
Separate room for each work..............................	2	....	
Cleanliness ..	8	....	
Absence of flies.	5	....	
Walls and ceilings painted in white every year..........	3	....	
Wash-stand, water and soap for attendants..............	4	....	
UTENSILS AND APPARATUS—			
Quality..	15	....	
Cleanliness.....	10	....	
Cans: quality..	5	....	
Washing and sterilization:			
(a) Cans.	5	....	
(b) Bottles..	5	....	
SUNDRIES—			
Storage of milk at less than 45° Fah......................	4	....	
Minimum of exposure of milk to air......................	4	....	
Exclusive mechanical capping of bottles..................	4	....	
Cleanliness of attendants.	4	....	
Milk delivery:			
(a) In Ice.	2	....	
(b) In clean and approved waggons......	2	....	
Total..	100		

Deducted for unsanitary or filthy conditions ....

Final score..

....

Inspector

SUPPLIER'S DAIRY SCORE CARD

No. . . . . . .

HEALTH DEPARTMENT, MONTREAL—Food Inspection Division (Milk)

Name. . . . .
Parish. . . . . County. . . . .
Milk (or cream) sold to. . . . .
Shipping station. . . . . Receiving station. . . . . Time. . . . .
Received in Montreal by. . . . .
No. of cows . . . . No. of milking cows . . . . Kind
Gallons of milk produced daily. . . . .

Date of inspection.	Max.	Allowed	Remarks
Absence of disease on physical examination (2). . . . . Approved tuberculin test within the year (8).	10	. . . . . .	
Quality of food (5). . . . . Quality of water (5).	10	. . . .	
Cleanliness of cows.	10	. . . .	
Stable location (2), water tight floor, preferably concrete (3), tight ceiling and walls (2), tie and manger (1), facilities for isolation—special stables (2).	10	. . . .	
Stable ventilation (3). Air space for each cow: 400 c.f. (1), 500 c.f. (2), 600 c.f. (3). . . Light: 4 sq. ft. of glass per cow (4). 3 " " " (3). 2 " " " (2). 1 " " " (1).	10	. . . .	
Stable cleanliness: floor, ceiling, walls and manger (3), white-washed or painted and disinfected every year: walls (2), ceiling (3). No other animal (2).	10	. . .	
Condition of barnyard: drainage (4), removal of manure every day to the field (6), or 50 ft. from the stable (3). . .	10	. . . .	
Milk-room: mode of construction, ceiling, walls, floor, windows and fly-screens (3), water supply (2) Cleanliness: floor, celiling, walls, vat and water for cooling purposes (5).	10	. . . .	
Cleanliness at milking time (3), utensil adequacy (2), small top or hooded pails (2), thoroughly washed and exposed to pure air (3).	10	. . . .	
Ice supply (4). . Prompt and efficient cooling and storage at low temperature (6).	10	. . . .	
Total. . . . . Deducted for unsanitary or filthy conditions. . . . . Final score.	100	. . . . Inspector.	

NOTE.—For any unsanitary condition, in each case, a deduction shall be made from the recorded points, according to the probable danger of infection, contamination or deterioration that may result from the continuance of such condition.

If filthy conditions are found to exist, the score shall not exceed 49. If the water supply is exposed to dangerous contamination or if an infectious disease exists in the family or among the staff or among the cattle of the producer, the product shall be excluded from the market until the cause of the danger is removed.

If the recorded score is 80 or above, the dairy is EXCELLENT.
If the recorded score is 70 or above, the dairy is GOOD.
If the recorded score is 60 or above, the dairy is FAIR.
If the recorded score is 50 or above, the dairy is PROBATIONARY.
If the recorded score is 49 or below, the dairy must be improved at once.

CHAPTER XIII

Penalty

Dealers' responsibility.

Article 160.—Dealers shall be responsible for any infraction of the present by-law committed by any person whomsoever in their establishment, or in the course of the operations connected with their trade.

Every offender liable to prosecution.

Article 161.—Any person infringing the present by-law may be held personally responsible for such infringement and shall be liable to prosecution, to the same extent as the dealer.

Penalty.

Article 162.—Every person offending against any of the provisions of the present by-law shall be liable to a fine with or without costs, and in default of immediate payment of said fine with or without costs, as the case may be, to an imprisonment, the amount of said fine and the term of imprisonment to be fixed by the Recorder's Court of the City of Montreal, at its discretion; but the said fine shall not be less than \$10 nor exceed \$100 for the first offence, nor less than \$100 nor exceed \$200 for the second offence, nor less than \$200 for the third and any subsequent infringement, and the term of imprisonment shall not be for a longer period than sixty days, the said imprisonment, however, to cease at any time before the expiration of the term fixed by the said Recorder's Court, upon payment of the said fine, or fine and costs, as the case may be; and if the infringement continues, the offender shall be liable to the fine and penalty above mentioned for each day during which the infringement is continued.

Certain provisions repealed.

Article 163.—Sections 18, 19, 20, 21, 22 and 23 of By-law No. 105, adopted by the Council on the 21st December, 1876, are repealed.

French text to prevail.

Article 164.—In case any clause of the English version of this by-law should not agree with the corresponding clause of the French version, the French text shall prevail.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 14, 1933

No. 5

Reference,—Milk and Milk Products

WITNESSES:

F. Cousins, Secretary, Ernest Cousins, Ltd., Montreal; F. Monette, President and Manager, Perfection Dairy, Ltd., Montreal.

Appendix "B"—Documents filed and printed.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 14, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Brown, Carmichael, Donnelly, Fafard, Gobeil, Jones, Loucks, Lucas, McGillis, McKenzie, McPhee, Moore, Mullins, Perley, Pickel, Porteous, Rowe, Sauve, Senn, Shaver, Simpson, Sproule, Stirling, Taylor, Tummon, Wilson, Weir (*Macdonald*).

The subcommittee reported that Frank Cousins, Secretary, Ernest Cousins, Limited, Montreal, and F. Monette, President and Manager of Perfection Dairy, Limited, Montreal, were summoned to appear before the committee to-day.

Report received and adopted.

F. Cousins, called and sworn.

Witness filed the following documents, viz:—

1. Financial statement, 1931.
2. Trading and Profit account, 1932.
3. Statement showing spread between prices paid and prices received for milk for years, 1931 and 1932.
4. Statement showing disposition of profits, 1921 to 1930, inclusive.
5. Income tax return, 1931.

Witness was examined by several members of the committee.

Witness was released and ordered to prepare certain additional required information to be presented by him at a subsequent meeting.

F. Monette, called and sworn.

Witness filed the following documents:—

1. Financial statements for the years 1931 and 1932 (in French) and agreed to file same in English.
2. Statement of costs and selling prices of milk.

Witness retired.

The meeting adjourned sine die.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

March 14th, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, a.m., Mr. Senn presiding.

The Chairman: Gentlemen, first of all I will ask for a report from the sub-committee on witnesses.

Mr. Tummon: The only report that the sub-committee has to make is that we authorized the calling to-day as witnesses, Mr. Frank Cousins, manager of Ernest Cousins Limited, 175 Colburn Street, Montreal, and Mr. S. Monette, president of the Perfection Dairies Limited, of 2565 Herbert Street, Montreal.

Frank Cousins, called and sworn.

By the Chairman:

Q. Mr. Cousins, what is your position?—A. I am dairy manager for Ernest Cousins Limited, 175 Colburn Street, Montreal.

The Chairman: Now, I understand that the clerk has notified you as to the information which is desired. I might say that we follow a practice of allowing a witness to give his statement first without interruption from the members of the committee. Following that, of course, any member of the committee is at liberty to ask questions based on your statement.

The Witness: Unfortunately, I was unable to bring a certified copy of the auditors 1932 statement. That is not prepared as yet. I have a tentative statement which I will read. We made it up in a hurry. We got your letter on Saturday noon, and this is made up from Saturday to Monday. So far as I know, this 1932 statement is the whole truth. The auditor's statement is for 1931. I will read the whole thing first.

ERNEST COUSINS LIMITED

Trading and Profit and Loss Account for the Year Ended 31st December, 1931

Sales			$ 667,961 92
Purchases			361,327 18
			$ 306,634 74
Express on cream		$ 4,947 17	
Wages (average 70 employees)		93,786 35	
Bottles	$ 16,924 52		
Cans	876 00		
Cases	4,369 00		
		$ 22,169 52	
Dairy expenses, comprising caps, cleaning materials, etc		9,370 08	
Delivery expenses (average 28 routes and 8 trucks)—			
Feed	6,325 78		
Gasoline and oil	3,753 64		
Repairs harness	1,165 63		
Shoeing, etc	2,222 25		
Wagons and sleighs	3,928 50		
		17,395 80	
Light, heat and power—			
Coal	3,712 54		
Light and power	5,240 27		
		8,952 81	

ERNEST COUSINS LIMITED—*Concluded*

Repairs and replacements—			
Repairs cans and cases	1,125 92		
Repairs machinery	5,267 80		
Repairs autos	4,203 39		
Loss on sale of equipment—			
Typewriters	65 75		
Machinery	14,661 92		
Wagons and sleighs	477 50		
Horses	401 00		
		26,203 28	
Depreciation—			
Machinery	$ 13,990 94		
Delivery equipment	6,160 65		
Building	2,212 26		
		22,363 85	
			205,188 86
Gross profit			101,445 88
Discounts received			455 35
			$ 101,901 23
Advertising		$ 5,177 05	
Salaries (10 employees)		24,102 08	
Taxes		7,935 66	
Insurance		4,481 37	
Statiorery and supplies		1,755 34	
General expenses (fees bacteriologists, auditors, general repairs, paint, etc., lumber, stamps, laundry, telephone, ice)		15,021 87	
			58,473 37
			$ 43,427 86
Bad and doubtful debts		$ 19,401 39	
Depreciation office furniture		466 06	
Interest		4,735 11	
			24,602 56
			$ 18,825 30
Federal income taxes			2,309 53
Net profit			$ 16,515 77

Our business is comprised 88 per cent wholesale and 12 per cent retail.

By the Chairman:

Q. You say that this is an auditor's statement?—A. This is an auditor's statement for 1931. I have the audit here if you require to see it certified.

Q. Will you file this. This is a certified copy. Is that the extent of your statement?—A. That is the extent of this statement. I have another statement for 1932 which is not audited. We made it up over Saturday and Sunday.

Q. I think, possibly, it would be better if you would also read the 1932 statement and then the committee can compare them?—A. This is not audited, although the accountant, Mr. Larocque, made this up himself.

ERNEST COUSINS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1932

Sales			$ 689,650 40
Purchases			360,868 90
			$ 328,781 50
Express on cream		$ 1,953 48	
Wages (average 96 employees)		118,518 09	
Bottles	$ 14,567 37		
Cans	811 63		
Cases	2,169 07		
		17,548 07	
Dairy expenses, comprising caps, cleaning materials, etc.		10,646 50	
Delivery expenses (average 36 routes and 11 trucks)—			
Feed	$ 7,581 96		
Gasoline and oil	4,996 93		
Repairs and harness	1,003 93		
Wagons and sleighs	2,839 76		
Shoeing, etc.	3,065 32		
		19,487 90	

ERNEST COUSINS LIMITED—*Concluded*

Light, heat and power—			
Coal	$ 3,276 82		
Light and power	5,032 82		
		8,309 64	
Repairs and replacements—			
Repairs cans and cases	$ 1,071 11		
Machinery repairs	5,919 50		
Auto repairs	5,407 33		
		12,397 94	
Depreciation—			
Machinery	$ 15,494 66		
Delivery equipment	7,297 61		
Building	2,212 26		
		25,004 53	
			213,866 15
Gross profit			$ 114,915 35
Discounts received			38 58
			$ 114,953 93
Advertising		$ 9,102 23	
Salaries (13 employees)		26,029 64	
Taxes		6,783 63	
Insurance		3,771 47	
Stationery and supplies		3,276 10	
General expenses (fees, general repairs, postage and excise stamps, cleaning, telephone, etc.)		19,541 67	
			68,504 74
			$ 46,449 19
Bad and doubtful debts		$ 22,322 75	
Depreciation office furniture		468 06	
Interest		3,694 16	
			26,449 19
Net profit			$ 19,964 22

This statement has not been audited.

I have another statement here showing the spread of 1931 and 1932.

1931

—	Purchased	Cost	Sold for	Average	Spread
	gals.	$ cts.	$ cts.		per cent
Milk	1,532,670	233,868 39	446,140 00	·32	47
Cream	77,000	88,687 01	178,912 83	....	50·4
Butter, eggs, etc	....	38,771 78	42,909 09	....	....
	....	361,327 18	667,961 92	....	45·9

1932

Milk	1,894,000	246,203 44	480,451 41	·26	50
Cream	....	70,910 00	162,420 00	....	57
Butter, eggs, etc	....	43,755 46	46,778 99	....	....
	....	360,868 90	689,650 40	....	47·7

I have not got the number of gallons for 1932, neither have I got the actual pounds of butter or dozens of eggs.

Now, I have a statement here with regard to the disposition of profits by way of dividends. This is from 1921 to 1930 and represents the distribution of profits by way of dividends annually.

ERNEST COUSINS LIMITED

DISPOSITION OF PROFITS BY WAY OF DIVIDENDS

	1921 to 1930			Nil
75 share-holders	1931 April 15th	$ 2,678 89		
	July 15th	2,678 89		
	Oct. 15th	2,678 89		
			$	8,036 67
	1932 Jan. 15th	$ 2,678 89		
	April 15th	2,678 89		
				5,357 78
			$	13,394 45

(Witness files Income Tax, 1931, receipted.)

Q. Now, I think Mr. Tummon is ready to ask you some questions.

By Mr. Tummon:

Q. Mr. Cousins, you gave the amount of purchases in 1930. Now, we are principally interested in milk. What did you say the total purchases of milk was in 1932?—A. We bought 1,894,000 gallons of milk in 1932.

Q. I suppose that you are one of the distributors in Montreal who met the Montreal Producers' Association in regard to what price was to be paid to the producers?—A. Yes. We always sit in with that body.

Q. In arriving at the price, we had some evidence from Mr. Moore, the secretary of this association—in arriving at the price, between the producers and the distributors, now, can you explain to the committee just how you arrived at that price—whatever the price arrived at was? Was it a question of all going in together—the distributors—and there bartering with the producers on the price?—A. Well, sir, generally Mr. Moore called a meeting in the spring to set the summer price. I do not know whether you would call us an independent dairy or just what. We were going to these meetings, and the producers and the distributors get together and agree on a price for the milk which is to be sold the following season.

Q. Do the distributors meet in conference at all before they go to that meeting with the producers?—A. Not to my knowledge, sir.

Q. They go into that meeting and attempt to come to some arrangement together?—A. We are notified by Mr. Moore that there is a meeting on a certain date, and we got to the Board of Trade at Montreal and meet the producers there and discuss the price and agree on a price, and it is settled for the season.

Q. Now then, can you tell the committee what the price is that the distributors agreed to, that the producers would be paid during the several milk periods of 1932?—A. What the different prices would be paid in 1932?

Q. Yes, in the different milk periods; I presume there was probably a price last winter and another price during the summer, was there?—A. Let me see; last fall there was a meeting of the distributors and the producers. I would not like to take this—I don't quite remember just what happened back in 1932. I think there was a meeting.

Q. Well, as far as your memory goes?—A. Yes, I think there was a meeting. Last fall there was one meeting where the price remained at $1.35.

Q. Yes?—A. And there was a second meeting where it was raised to $1.60.

Q. Yes?—A. At the first meeting milk was still very plentiful and the supply was greater than the demand, and therefore they agreed not to put the price up. At the second meeting, when milk was kind of shortening up a bit, we agreed to put the price up to $1.60, I think it was $1.60.

Q. It is not that price now?—A. No, that went on November and December, that price went on for either December and January, or November and December, for a couple of months, I think there, and then it dropped to $1.35 again.

Q. Can you furnish to the committee the prices agreed upon and paid during 1932?—A. I could not just now, sir.

Q. Will you do that?—A. I could, certainly.

Q. Now, with regard to the total amount of milk that you purchased in 1932, was that all paid for at the association price?—A. No, sir, there was a certain amount of that paid at surplus prices.

Q. A certain amount of milk paid for at surplus prices. Now, can you give the committee this morning what percentage of the total milk which you purchased or paid for at association prices, and what was paid for at surplus prices?—A. No, sir, I could not; I haven't got those figures available with me.

Q. Well, that is very necessary information.—A. Well sir, what was required, asked of me, right on this letter, which I received Saturday night, asked for none of that information; and believe me, it took us all our time to get our figures ready for last night at ten o'clock when the train left Montreal.

Q. Now then, I think Mr. Chairman, that that is a very important part, and it seems to me that not only should we have that statement supplied to the committee, but I think we should have Mr. Cousins here with that statement.

The Chairman: Oh yes.

By Mr. Tummon:

Q. Now then, you spoke of surplus, Mr. Cousins. Will you explain to the committee just what surplus means; what is meant by surplus milk.—A. It meant that there was in these times, 1931, 1932—it meant that there was a greater supply of milk on the market than there was a demand for. We had to get away from the original idea of surplus in back years when it came in the flush season, let us say commencing in March—March 15—March, April, May and June, that would be the surplus milk, when his cows were freshening, and there was a greater supply than in later years. In 1931-1932 it wasn't supply and demand—the supply was far greater than the demand in those years.

Q. Yes, well, am I right when I say that surplus milk is that milk that is received by you that is not required for bottling purposes?—A. Well, our position is a little bit different, sir, than the other dairymen; we are only twelve per cent retail. There is a lot of bulk milk in cans, but you mean for manufacturing purposes, for butter.

Q. Well, when you wholesale that sweet milk, how do you wholesale it, in bulk or in bottles?—A. A big percentage of it in cans, in bulk, and a certain percentage in bottles. The by-laws of the city of Montreal were changed. I think about two years ago; no milk was to go over restaurant counters in the glass, it all had to be served in half pint bottles.

Q. Nevertheless, the fact remains that there are two classes of sweet milk, aren't there, if I may put it that way, whether you wholesale it in bulk, or whether you wholesale it in bottles. Now, what I am trying to get at is this, how do you distinguish to the producer between what you pay him for association prices, and what you pay him for surplus.—A. How do you distinguish between these two classes of milk?

Q. Yes, supposing I am a shipper, a producer, and I send you in during the month 200 cans of milk, and you pay me a certain amount association price, and the balance you pay me for surplus. Now, how do you distinguish?—A. It is generally taken at the February average, sir. We don't run that in the winter months, generally, I say; up to 1930, 1931, 1932, as I was saying, there was a greater supply than we could handle, and it would have to be taken on how much we separated, or handled in a surplus manner.

Q. Yes, but we want to know now how you distinguish what is paid for at association price. Can you tell us first how much of the total amount of milk you receive is paid for at association prices, and how you arrive at that quantity? —A. Well—

Q. Mr. Cousins, these are your statements are they not?—A. Yes, sir.

Q. Now, we look at this statement, the first one is the month of March, isn't it?—A. The month of March, yes.

Q. 1931?—A. Yes.

Q. How much of that is paid for at association prices—how much of that quantity the producers shipped in?—A. There is a total of 6,760 pounds the producer sent to the dairy; 3,380 of that was paid at association prices, and 3,380 pounds was paid at surplus prices.

Q. So your surplus in that month was almost exactly the same as the association price?—A. Yes.

Q. The quantity was approximately fifty fifty?—A. Yes.

Q. Well, will you take the next month?—A. The amount was 10,020; 4,510 paid at association prices, 5,510 at surplus.

Q. Then, there was a greater amount paid at surplus price in that month than there was in the previous month?—A. Yes, sir.

Q. Now, will you go right down the list there and just read them off to the committee?—A. May, 14,805 pounds, 6,700 was paid at asociation prices and 8,105 surplus; June 14,095, 6,345 were paid at association prices and 7,750 at surplus; July 12,500 pounds, 6,250 at association and 6,250 surplus; August 11,540 pounds, 5,570 association and 5,570 surplus; September 10,695 pounds, 5,348 at asociation and 5,347 at surplus; October 9,970 pounds, 4,985 at association and 4,985 surplus. And when you ask me how the surplus was governed, sir, that all depends on competition. We had to meet the price and sell our milk to meet the competition put up, and we had to buy our milk accordingly.

Q. Now, in dealing with your producers, in arranging with your producers, do you allow them to hold back any of their production?—A. Well, I would not like to say as to that, I do not know if the question has come up. Really, that comes through a department of the dairy that I am not always in touch with; these cases are not always brought to my attention. If somebody writes in and asks—

Q. Then you can't say as to whether or not the farmer is required to send the production of all his cows. Does your company not request, or demand that the producer must ship in all his milk?—A. No, sir, there is no check-up taken on the farmer. We have no requirements that we do not know at the end of the month, no check-up is made; when the producer sends us his milk that is enough check-up.

Q. Well, the reason I ask you that question Mr. Cousins, is simply this; that I am told by producers who are serving your company that they are required to send all the production of their cows to your company, and they are not allowed to go anywhere else?—A. Well, I'd like someone to come forward and show me.

Q. That is the reason I ask you that question?—A. As far as I know we never check up at the end of the month to see that a man sends all his milk, there is no accurate check on that.

Q. Well, let me ask this question then. If I were a producer sending milk to your company and this month I was paid for half of what I sent at association prices and half at surplus, if I started to hold back and sent only about half of what I sent in in the month before, would you try to find out what was wrong?—A. No, we would not bother.

Q. You would not. Now, then, in regard to that surplus milk in the statement that you have read there, over fifty per cent of that amount of milk was paid for at surplus wasn't it?—A. Yes, sir, at times it was.

Q. Now, then, how do you pay for that surplus milk?—A. We pay for it on a sweet cream basis.

Q. On a sweet cream basis?—A. Yes, sir.

Q. Can you tell the committee what you paid in August last year, 1932? —A. 1932?

Q. Yes?—A. That is the 1931 statement you have with you—the farmers—producers' accounts.

Q. Yes, I see this is 1931?—A. I can't give you the figures for 1932, sir. I haven't got them with me.

Q. You paid for that on a sweet cream basis?—A. Yes, sir.

Q. So much per pound butter fat. You can't give the committee what you paid in any one month last year for that surplus??—A. Well, I would not like to say, it would be around—it just depends on how butter was going, that was all taken on butter plus the market for sweet cream; I would say around 25 or 28 cents a pound.

Q. Then, let me get this clear. Now isn't there a difference between butter cream or sweet cream?—A. Oh, yes sir, that is what I say; the butter market price plus a certain amount for sweet cream.

Q. I have information, Mr. Cousins, that last August you paid 23 cents a pound butter fat?—A. Twenty-three cents a pound last August? Do you know what butter was worth last August, sir; have you any idea? It would run on the basis of the price of butter.

Q. I know that our local creamery up in my district paid 16·4 for churning cream?—A. Sixteen?

Q. Yes?—A. That would be 7 cents, 16 cents and 7 cents for sweet cream—23 cents.

Q. Yes, well, all right. Now then, with a hundred pounds of 3·5 milk paid for at 23 cents on butter fat, that would be how much a hundred pounds—practically 80 cents, would it not?—A. Yes.

Q. Now then, 100 pounds of 3·5 milk at approximately 16·4, take 16 cents a pound?—A. The 100 pounds.

Q. The 100 pounds of 3·5 milk at 16 cents?—A. Fifty-six cents.

Q. Fifty-six cents. Now, then, the cream that went to the little factory creamery in my town was picked up at the man's door. This other man had to pay 25 cents a hundred pounds on his milk to get his cream into his factory. Take the 25 cents from your 80 cents?—A. Yes, I can see what you are driving at.

Q. That brings your price down to 55 cents?—A. Brings it down in price.

Q. And the farmer at my little home town creamery has his skim milk at home which is worth something. That man has a better price, he receives approximately 6 cents a hundred more for his milk than was given by you to him.

I feel, Mr. Chairman, that we can't get much further along this line unless we have the total percentage of milk that was paid for at association prices in 1932, and in January and what was paid for it in February. We want to know more about that surplus milk, Mr. Cousins. We want to know how it was used, the percentage that was used in sweet cream, in butter or in ice cream, or any part of it; and what you paid for it, and until we get that information I cannot go much further

By the Chairman:

Q. There is one further question I would like to ask. When you make your distribution between surplus and whole milk prices, do you treat all your producers exactly alike?—A. Yes, sir, and as I say, it all depends on the selling price in the city.

By Mr. Bertrand:

Q. Mr. Cousins, you made the declaration a moment ago stating, in the fixing of prices for surplus milk, "of course, competition controls the price of surplus milk." Does that mean that you have to so classify such an amount called surplus milk as to afford you a profit if you desire to meet competition on all of the other lines?—A. Well, I hesitate—

Q. I will put it this way, then, what do you mean by "of course, competition controls the price of milk?"—A. Well, competition controls the price of surplus milk.

Q. What do you mean?—A. It means that the selling price—it means in the wholesale business, just speaking for myself, of course, everybody is running around picking up quantity sales and dropping the price, and we have to meet that competition; therefore, it controls the price of surplus milk.

Q. Are you aware that the farmer is producing and selling his goods below cost to himself?—A. I should imagine he is at the prices.

Q. And for that reason, I suppose, it is due to the sympathy that you have for the producer that you are ready to classify a certain amount, irrespective of the fact that it may be an injustice, as surplus milk in order to afford you a profit?—A. Well, I would not—I do not think—you see our profits here are not excessive. I really do not see why you take that attitude to them.

Q. Well, I think if Mr. Cousins is kind enough to bring all the material, I think we won't have to accept answers like that if we take this attitude. I think we will prove that it is the right attitude. Now, about this statement, when Mr. Cousins comes back, I would like to ask his firm to make a prepared statement on how much milk has been received by their company in the month of February—that is not long gone—for the whole month of February, 1933, the whole amount of the purchases in their factory during that period, the amount that was paid to the farmer at the association price, the amount that was paid as surplus milk, and then how it was divided for resale, either retail or wholesale, in fluid milk or other classes of milk, what part was put in ice cream, if any. You will have that for the government I presume?—A. Yes.

Q. Now, further, the amount that was manufactured in butter, the powdered milk that was manufactured, or other by-products sold to make such powdered milk or other by-products?—A. The powdered milk manufactured?

Q. Manufactured, or milk sold to make powdered milk, as by-products; and the price of each and every item, either cost or sale. Now, before you leave, may I ask you if your company is affiliated with any other company?—A. No, sir.

Q. Is it a subsidiary of any other company?—A. No, sir.

Q. It is independent, by itself. We would ask you when you come back, also to be kind enough to supply us with how your company was organized—the amount of capital invested in it.

By the Chairman:

Q. You may be able to give that information now, Mr. Cousins?—A. I was just thinking—

By Mr. Bertrand:

Q. Are you able to supply that information now?—A. I could give you the amount of capital.

Q. In what year was the company established?—A. I could not tell you exactly the year it was established as a limited company. It was established as a limited company, I think, in 1914 or 1915, I am not sure of the year; and then it was reorganized in 1926.

Q. It is in this reorganization that we are interested, we want to know what the company is?—A. I did not come here prepared to answer all these questions you are asking to-day.

Q. Very well, we would just ask you to prepare the information, or, if you like, just find out then what was the amount of capital invested in your first limited company, the amount of shares either preferential or common?—A. The amount of shares?

Q. Preferential and common. Have you given out any bond issue?—A. No bonds.

Q. Has there been any further amount of money reinvested at any later date. When the reorganization took place how were these shares divided, on what basis, and for what reason?—A. When reorganization took place?

The CHAIRMAN: You might shorten that up, Mr. Bertrand, by asking him to give you the history of the capital structure of the organization, which would include possibly the whole question.

Mr. BERTRAND: Thank you very much, Mr. Chairman, that will cover the whole thing without our having to ask further questions.

By Mr. Pickel:

Q. Is your stock boarded on the exchange at all?—A. No, sir.

Q. What is its capital?—A. The capital is $153,100 preferred.

Q. Has that capital been raised in the last ten years?—A. No, it has not all been raised. It has issued—there were authorized 14,124 shares, 7 per cent cumulative redeemable shares of $25 each, then 10,000 shares no par value of which 6,124 were issued, making the capital $153,100.

Q. You will give us all that in your report?—A. Yes.

Q. What does your board consist of?—A. Mr. Ernest Cousins, Mr. Reynolds of the Producers', Mr. Cordner, of the city of Montreal.

Q. You have a president?—A. Mr. Ernest Cousins.

Q. And a vice-president?—A. Mr. Cordner.

Q. What is the president's salary?—A. Ten thousand dollars.

Q. Anything of perquisites?—A. Nothing besides that.

Q. That cleans up everything?—A. Everything.

Q. Does the vice-president get a salary?—A. No, sir.

Q. Do any of the directors?—A. No, sir.

Q. You are the secretary-treasurer?—A. Yes, sir.

Q. What is your salary?—A. Five thousand dollars.

Q. Anything extra?—A. No, sir.

Q. How often do your directors meet?—A. Once every three months.

Q. What about dividends?—A. Dividends. There has been a total of $17,794.45 paid in 1931 and 1932.

Q. Now, Mr. Cousins, in receiving your milk you are paying an average price of $1.35?—A. Yes.

Q. That nets the producer $1.10 at your plant?—A. Yes.

Q. Then, 50 per cent or over that is surplus for which he gets about 55 cents or, maybe an average of between 70 and 80 cents, not over 80?—A. Well, here are the figures right here.

Q. I understand, give us that average, can you?—A. Well, I haven't worked that out.

Q. Well, that will be somewhere around 75 cents?—A. Over the whole year.

Q. Roughly speaking?—A. Over the whole year.

Q. That is providing your surplus each year which is about 50 per cent or over. That would strike his average price about 75 cents a hundred?—A. The 1932 prices were higher.

Q. Yes, $1.60 for a little while—a very short time.—A. For the present, 3½ cents a quart to the farmer.

Q. How much are you paying to the farmer for milk?—A. Three and one-half cents a quart.

Q. Excuse me. Is 75 cents a hundred 3½?—A. I was dropping the freight.

Q. I want to know if 75 cents a hundred is 3½ cents a quart?—A. We are paying the producer $1.10 to-day.

Q. You are paying the producer $1.10?—A. Yes.

Q. What about the surplus? You are not paying $1.10 for that—55 cents?—A. At the present day, there is no surplus of milk. In 1932 there was no surplus. In October, November or December, I do not think.

Q. The figures you gave us averaged about 50 per cent—over 50?—A. That was back in 1931. We have been reading that, sir.

Q. When you come back again bring us 1932 right up to date—the whole thing, surplus and all?—A. Yes; the average for the whole thing.

Q. Of course, that suggests 3½ cents received, but he is receiving under 2 cents a quart?—A. Well, sir, I cannot reply to that question until I have the proper figures.

Q. Figure it out. Do you sell buttermilk?—A. Yes.

Q. Where do you get it?—A. We buy it ready made. Our sale of that is so little that we buy it from Champlain.

Q. Do you do any churning at your plant?—A. No, sir.

Q. What do you pay for buttermilk?—A. We pay as high as 20 cents a gallon.

Q. How much?—A. Eighteen to twenty cents a gallon. This is culture buttermilk, not buttermilk off the churn.

Q. I mean buttermilk from the churn—common buttermilk?—A. We do not handle any of that; this is culture buttermilk.

Q. You do no churning at all?—A. No, sir.

Q. What do you do with this surplus milk?—A. We sell it.

Q. How? In what form?—A. We sell it as fluid milk.

Q. How much do you get for it?—A. Well, in 1931 we got an average of 8 cents a quart for it.

Q. Why do you call it surplus?—A. Well, it is sold at the wholesale price.

Q. You sell it all at the wholesale price?—A. We sell about 12 per cent retail.

Q. How do you distinguish between your fluid milk as you distribute it about the city by the bottle and your surplus milk? What do you call surplus, and what do you call the other kind?—A. Well, sir, as I said before, it all depends on the competition. We have to meet competition.

Q. That surplus milk covers up competition. That is all it is for. You jot that down just as you please—surplus, whether you have surplus or not?—A. It depends upon supply and demand also.

Q. Oh, yes. It is not surplus at all really. Do you really have any surplus milk at all—that is, what should be understood by surplus milk—more than you require for distribution?—A. Whenever we have too much milk we separate it.

Q. What do you do with it? Do you just use it for sweet cream?—A. Use it for sweet cream and put the skim milk down the drain and try to sell it to some of those manufacturing places that make cement. There is one place in the city that will buy it.

Q. What do you sell your buttermilk for?—A. The price? Eight cents a quart.

Q. The same as you sell the milk for?—A. Yes.

Q. The same price as the milk. This is the culture buttermilk. Have you a pasteurizing plant?—A. Yes, sir.

Q. What is the cost of pasteurizing?—A. I have not got those figures, sir. We do not keep such fine figures.

Q. Your pasteurization. Bring them in the statement when you come again?—A. Well, sir, I would have to have a staff of cost accountants for the price of pasteurizing a gallon of milk or a pound of milk.

Q. In your evidence, you spoke of cans. Do you furnish cans to the producers?—A. No, sir.

Q. I see a pretty big item for cans. What is that for? Is that cans for your distribution?—A. Cans renewed and replacements for our own trade.

Q. For your own use and distribution?—A. Yes, distribution.

Q. You mentioned quite a little sum for bacteriology. Do you keep a bacteriologist in connection with your plant?—A. That does not cover a bacteriologist; that covers all the items.

Q. Why do you put down an item for bacteriology at all?—A. Well, we have two firms that look at the bacteriological end of it.

Q. Does not the city of Montreal look after that?—A. Yes; but we have J. T. Donald and Milton Hersey of the city of Montreal who come in weekly and take samples for bacteriology.

Q. Do you distribute these certificates of milk?—A. No, sir.

By Mr. Gobeil:

Q. Can you give to the committee an estimate cost of the total machinery in your plant? I mean the actual cost of the machinery in your plant?—A. Yes. I have machinery and equipment. These figures would not be quite correct because they have been depreciated on.

Q. I mean the first cost—when they were bought?—A. No, sir. I could not give you the first cost.

Q. You have no estimate you could give?—A. I could bring that.

Q. Of course, it is hard to remember all these figures; but if my memory is correct, I think Mr. Cousins mentioned $16,000 in round figures as the cost of bottles in 1931 and $14,000 in 1932. Am I mistaken in those figures?—A. 1931 the cost of bottles was $16,924.52.

Q. And 1932?—A. 1932, $14,567.37.

Q. Has the quantity been increased between these statements?—A. Well, we handled a certain amount of extra busines in 1931—that is, we handled some of the relief business, the emergency unemployed relief—and we had to buy a lot more bottles in 1931 to start that business.

Q. Those figures, if I understand you correctly, would be higher in those three years than in previous years?—A. Well, it generally runs around $14,000 —$12,000 to $14,000.

Q. That accounts for breakage?—A. Breakage and lost bottles.

Q. Can you give us the price of those bottles per unit or per hundred or per thousand?—A. I will obtain those figures for you. Offhand, a quart costs 6½ cents, a pint costs just under 5 cents and a half-pint is four something. I will get the exact figures.

By Mr. Pickel:

Q. What do you call the other milk that is not surplus? There is no distinguishing difference at all. It is a distinction without a difference. Or it is just done for dividend purposes?—A. Dividend purposes? We are not able to pay any dividends if it comes to that.

Q. Do you distribute to the chain stores at all?—A. No, sir.

By Mr. Brown:

Q. What percentage of depreciation do you allow on machinery?—A. Fifteen per cent. On waggons 10 per cent. On automobiles 25 per cent. On horses 20 per cent.

Q. And on what value do you base that? You said you could not give the cost of the plant.

By Mr. Gobeil:

Q. If my memory is correct you gave us $14,000, as the depreciation on machinery?—A. Yes $13,990.

Q. It would be easy to find the cost.

By Mr. Brown:

Q. You mentioned also the cost of bottles. That has already been referred to. Later you mentioned, I think, if I remember correctly, the estimate on delivery equipment?—A. Yes.

Q. Does that include bottles again?—A. No, sir; waggons, automobiles and horses—rolling stock.

Q. There is no over-lapping, or is there, between depreciation and replacement?—A. No, sir. These figures have all been taken apart by the Federal Income Tax people.

Q. When you allow so much annually for bottles that is replacement; you do not take in depreciation of that also?—A. There is no over-lapping of figures there. The Income Tax people keep their eyes on that.

Q. Of course, we will have to examine the figures a little more carefully before we can discuss them intelligently.

By the Chairman:

Q. Just a moment. I want to get straight this matter about depreciation. You deduct some $25,000 from your income for depreciation. Where does that $25,000 go? Is it in the rest fund, or what becomes of it?—A. Well, this amount has to be set up for replacement of machinery and rolling stock?

Q. It must be in some kind of a rest fund or reserve fund?—A. Yes, sir, for replacement of equipment.

Q. You have a reserve fund, have you?—A. Depreciation is the only reserve fund we have.

By Mr. Mullins:

Q. Do you deliver buttermilk?—A. Yes, sir.

Q. You say it is not buttermilk, it is culture buttermilk?—A. Culture buttermilk is fermented milk, about 1 per cent of fat.

Q. May I ask you what you put in this culture; what sort of an ingredient is put in it before it goes to the consumer?—A. It is inoculated with bugs of some description.

Q. Inoculated with what?—A. Inoculated with bugs, inoculated with bacteria—

Q. Bacteria. I want to know what this buttermilk I have been drinking is. I have had a severe attack of diarrhoea and I want to know if it is the buttermilk. If you are delivering buttermilk that is not buttermilk, let the committee know it so we will know what we are buying and keep away from it. But you keep a bacteriologist?—A. We do not keep a regular bacteriologist. We have a man who has been through the Ste. Hyacinthe Dairy College, and he looks after our milk so far as butter fat and sediment are concerned, and we test it by the Blue Methylene test, but any flat amounts are taken by Mr. Donald and Milton Hersey.

Q. After you take the supposedly pure milk from the cow what process do you put it through?—A. We test it for sediment, for butter fat; we test it for the specific gravity, and the Blue Methylene test for bacteria. That is a reduction test. There is a blue dye added to so many cubic centimetres in this milk, and it reduces in so many hours. The bacteria turns it from blue to white.

Q. Does all the milk go into one vat?—A. Through several vats.

Q. It goes into a large vat?—A. Yes, sir.

Q. Then you pasteurize it?—A. Yes.

Q. Is it as good milk as when it comes from the cow?—A. I do not know whether—it is heated to a temperature of 145.

Q. Mr. Chairman, I have a letter here that probably might contain information for the witness, but I do not know whether you will permit me to read it. It is addressed to the Agricultural committee. I have permitted you, Mr. Chairman, to read it. It is not addressed to me, but it is addressed to my care.

The CHAIRMAN: I would suggest that it be placed with the clerk, and we could discuss this when Mr. Cousins comes back again. It is a rather lengthy letter and would take quite a little of the time of the committee.

Mr. MULLINS: Yes, it is a lengthy letter, but it is addressed to the agriculture committee, and it deals largely with pasteurization.

The CHAIRMAN: I am getting scores of letters every day addressed to the agriculture committee that I do not read to the committee.

By Mr. Mullins:

Q. Are you interfered with in the delivering of milk on the highways? In the delivering of your milk does anyone interfere with you?—A. Anyone interfering?

Q. Yes?—A. No, sir.

Q. Now, as to what you charge; are you in a combine of any kind?—A. No, sir.

Q. And you are not interfered with on the road?—A. No, sir.

Q. That is, the trucks are not interfered with. There is one part of this letter here that is most appalling. I do not know anything about the writer, but he seems to be a responsible gentleman. He comes from Perth. That is true in regard to this man. I think this committee ought to know it, in the interest of the consumer as well as in the interest of the producer. It is an important letter in my opinion. I have read it over three or four times, and I think I have permited the Chairman to read it. The milk, when it is pasteurized loses a certain amount of its strength. Would not you prefer using the milk direct from the cow and certify by a dairy that it is clean and the cows of which are clean; would it not be better?—A. I do not know. For us it is practically impossible to have all the milk that comes into these large cities in such a condition as to be sold as certified milk and we have to take the method of pasteurization to make sure that this milk is safe for the public. I do not know whether it hurts the milk to pasteurize it or not. I do not think so. I have no authority on that point.

By Mr. Wilson:

Q. You have been asked to bring the cost of the plant—the original cost. Then, will you bring down how many times the amount has been written down each year from the inception of the company?—A. The amount of depreciation that has been put on the plant?

Q. Yes; and also give us the value of the number of horses you have. What they cost, and how much you have written down. Surely, more of these horses should be written off by this statement?—A. There is a continual replacement of these animals. Working six and a half days a week in all kinds of weather a horse cannot last long.

Q. You will be in a position to answer any questions on that report in regard to depreciation of machinery etc., when you come back?—A. Yes.

By Mr. Pickel:

Q. Are there any regulations regarding the delivery of milk? There is no provision provided for against overlapping?—A. Delivery? No sir. There is no provision.

Q. There is no standardization as regards delivery?—A. No, sir.

Q. Now, you say that 88 per cent of your milk is sold wholesale and 12 per cent retail?—A. Yes, sir.

Q. What is the price of that wholesale milk?—A. The price of the wholesale milk?

Q. Yes?—A. I only have the average selling price.

Q. What is that?—A. Eight cents. That takes in 12 per cent retail.

Q. Now, I want to make this distinction. I want the committee to understand what you are receiving for milk and what the producer is getting. The producer, as I understand it, is getting between one and three-quarters cents and 2 cents a quart now and your are getting 8 cents?—A. Here are the exact figures for 1931 and 1932. We purchased 1,532,670 gallons of milk at a cost of $233,868.39.

Q. How much a hundred?—A. Well, we will figure that out. If you take these figures down you can figure that. There is a spread of 47 per cent for 1931 and a spread of 50 per cent in 1932.

Q. That is, you got 50 per cent?—A. The difference between the buying and selling was 50 per cent in 1932 and 47 per cent in 1931.

By the Chairman:

Q. That is, laid down in Montreal?—A. Yes, laid down in Montreal.

Mr. WILSON: Will you also bring the cost of replacement of plant, and what you did with the machinery that was replaced, and what you got for it?

By Mr. Pickel:

Q. Just one more question. Do you buy on a butter fat basis?—A. A 3·5 basis.

Q. Do you pay a premium?—A. No, sir.

Q. But you deduct if it is good?—A. Yes.

Q. If it is 4·2, that is all to the good; that is all velvet?—A. The public get the benefit.

Q. Do you distribute milk over 3·5?—A. Yes, absolutely. We distribute it as we get it.

By Mr. Porteous:

Q. To get back to the question of surplus milk. From a price standpoint, there are two classes of milk, one paid for at association price and the other at surplus price. It is hard to identify the milk; but could you tell us how you base the amount of surplus milk; how you arrive at the percentage that you pay for surplus milk? Has it any relation to the amount of milk sold for consumption purposes?—A. I will be glad to bring all this information with me. I am not in a position—

Q. If you could give the committee whether or not there is any of this surplus milk going into consumptive channels, that is what we want to know. It is possible that there may be milk paid for at surplus price that is sold to the consumer. I think the committee should have that information?—A. Yes, sir.

Q. There is another question, and that is with regard to dividends. You have quoted the amount of dividends. Did you quote any percentage on dividends, or have you the percentage there?—A. What do you mean?

Q. The percentage you pay on your shares?—A. Seven per cent.

By Mr. Loucks:

Q. I understand that the cost of fodder was $1,000.—A. In 1932? $7,581.96 in 1932.

Q. How many horses have you?—A. Between 45 and 50, sir.

Q. Can you tell me approximately what you pay a ton for hay?—A. For hay? I figure around seven and a half or eight dollars a ton.

Q. And grain?—A. Grain was around one dollar a bag, and there would be eighty pounds to the bag. It has been going for about 10 cents—

By Mr. Sproule:

Q. Now, when you gather this milk up do you give a report each day to the man from whom you get the milk? Is it weighed at his place, or where is it weighed?—A. At our plant.

Q. He does not know at the end of the month how much he sends in, or does he get a report?—A. At the end of the month he gets a report back.

Q. Now, with regard to this surplus milk, I think Mr. Pickel made that clear to the committee. Your surplus milk and what you sell—it is all sold; do I understand that right? You sell your milk to the consumers and the surplus milk goes back and you sell it for 8 cents?—A. That is the average selling for 1931 was 32 cents. That takes in 12 per cent of our retail business and 88 per cent of the wholesale business.

Q. You send that milk out. You have your customers to send it out to. According to the return you have there there was about 50 per cent of surplus milk—I think that is as Mr. Pickel has figured that out—and you sold that at 8 cents anyway. Then, you churn some of that milk and put some of it into different things?—A. Sweet cream.

Q. Say, for instance, that the milk comes in to-day. For how long do you hold that before you really put that into the churn, or do something else with it—is it at the end of 24 hours or when?—A. It comes in to-day and a lot of it is used to-day. The balance is held over until to-morrow. It depends on the stocks at hand at night, how much we can carry.

Q. You do not check it up in so many hours, at a certain time—how do you check up on that? How do you get at the amount you put through that process?—A. The amount we sell, our daily sales.

Q. You have what you sell. This surplus milk, according to your figures, is all sold at the same price. This amount at your price would be what you put in after taking the butter fat out?—A. The amount that we take the butter fat—?

Q. I am trying to make it clear. It will be in good nature when we get through. I want to get this clear for myself. You get your milk in and you have your customers. According to the figures you have there, you have about 50 per cent of surplus milk. Then, you tell us that the surplus milk is sold at 8 cents. And later on, after you sell what surplus milk you can, if I understand it right, then you take the butter fat out of that and you sell that at whatever you can. Now, you arrive at that—we will say 10 per cent or 15 per cent or 20 per cent or whatever it is there—at the end of 24 hours or at the end of the day. At what time?—A. The surplus is taken at the end of the month. It depends on the amount we sell, and the amount that has been sold as sweet cream.

Q. You have it and check it every two days or daily?—A. Every evening we see what amount there is on hand.

Q. Every evening? That amount at the end of every evening is just exactly what you sell at a discount; it does not realize the price of the other, because you have told us that you sell the other at 8 cents. It is generally understood that for the surplus you have to take a different price, because surplus milk is about 55 cents. Is that correct?—A. I have a lot of questions on that right here that I am going to answer.

Mr. Porteous: I think, on the questions I asked to which the witness agreed to bring returns his answer will cover the question asked by Mr. Sproule.

Mr. Tummon: When I sat down, Mr. Chairman, he told me all the information would be brought here.

The Witness: I think the questions you asked will cover the whole thing.

By Mr. Pickel:

Q. Do you manufacture ice cream?—A. No, sir.

By the Chairman:

Q. I would like to insert one question. It is distinctly understood, Mr. Cousins, that you are going to inform the committee how you arrive at the proportion of surplus milk which you have to settle for, and as well how that surplus milk is disposed of. It is information in that respect that you are going to give?—A. Yes, I will cover that.

Q. I would like to ask another question bearing on that. Do you get enough sweet cream from your surplus milk to meet your demands?—A. No, sir, we have to buy some sweet cream.

Q. Where do you buy it?—A. Buy it at different factories.

Q. Do you buy it from the farmer?—A. No, we buy it direct from the factories.

Q. Where are those factories situated, in the country?—A. Yes, one at Champlain, and at different parts of the country.

Q. Do you pay butter fat prices for it?—A. We pay the sweet cream price, sir.

Q. Is that an advance?—A. There is an advance on the butter price, on the sweet butter price.

Q. Does that price do anything towards determining the price that you pay for surplus milk. Does it help you to determine the price you pay for surplus milk?—A. Oh, yes.

Q. The price at which you are buying sweet cream in the country?—A. Yes, sir. Then it has to be pasteurized, we have to allow for pasteurization and separating.

Q. There is another question I am not satisfied about. When this milk comes to your factory, the whole milk, is it all pasteurized?—A. It is, except that we have to separate, then the cream is pasteurized, not the skim milk.

Q. In other words, you only pasteurize a certain percentage of it that you think you will have to dispose of as fluid milk?—A. Yes.

Q. And the rest?—A. The rest we separate and pasteurize the cream. We do not pasteurize the skim milk because we have no market for the skim milk.

Q. You said, as well, that the distributors do not meet, have no consultation, before meeting the Producers' association to set the price?—A. No, sir, the distributors—I have not been in any consultation with the distributors before meeting the producers in the city of Montreal.

Q. Can you tell me then, what is the basis you arrive at this price on. On what basis do you arrive at the price that you pay the producer for fluid milk. Is it based on the cost of production?—A. No, sir.

Q. Is it based on supply and demand?—A. Supply and demand more or less, yes, sir.

Q. Well, how is that determined?—A. I suppose there is a lot also in the price of butter and cheese. Now, take for instance, sweet cream has been—there has been a steady advance in the price of butter since the beginning of February and sweet cream prices have advanced about 25 per cent. Where you are paying at the beginning of February about 28 cents a pound for sweet cream, to-day we are paying 36 to 37 cents for sweet cream. There is quite an increase. You see, as butter strengthens up it will all have a reaction on the price of sweet milk.

The CHAIRMAN: I am satisfied for the present.

By Mr. Tummon:

Q. Just one more question I would like to ask, Mr. Chairman. It is a question in regard to the inspection of dairies in the city of Montreal, by the city health authorities. Would you say that that inspection was impartial as between the large companies and the smaller companies?—A. I do not think they give any favours to any company in the city, sir.

By Mr. Pickel:

Q. Mr. Cousins, how much milk do you separate per day?—A. I think that would be covered in these questions, sir.

Q. Be sure to bring it. That is really the only surplus milk you have?—A. Yes, sir. We will tell you, how much we separate.

Q. The other that you call surplus is not really surplus at all. You get the same price for it, but it is just given to the producer at the reduced price.

By Mr. Porteous:

Q. You stated that you sold about 12 per cent of your milk wholesale, in bulk?—A. Twelve per cent retail, sir.

Q. Twelve per cent retail?—A. Right. We sell 88 per cent wholesale.

Q. Can you tell us the price at which you sold bulk milk in cans to restaurants and hotels and so forth?—A. Yes, sir, to-day it is selling at 18 and 19 cents a gallon.

The CHAIRMAN: Now, gentlemen, it seems to me that as Mr. Cousins is coming back and we have had a very interesting discussion, and we have a representative of another dairy company here, I think we should hear him. Would you be ready on Thursday with all that information you are asked to give.

The WITNESS: I wish you could give me a little more time, sir.

By Mr. Loucks:

Q. Have you any patrons who send you no surplus milk at all?—A. No, sir, all the patrons are on the same basis.

By Mr. Gobeil:

Q. Doctor Hood the other day told the committee that no milk was allowed to be sold in Montreal at a lower percentage of fat than 3·25, but your average of fat for 1932 was 3·70. Some of the producers told the committee before that the price paid to the producer was so much for a standard of 3·5, or 3 cents less, below 3·5. Is that correct?—A. I said that there was the standard 3·5 with 3 cents a pound deducted below 3·5.

Q. Three cents less than the stated price?—A. Yes.

Q. And if your average was 3·6 or 3·70 for 1932, that would be nothing over 3·5 was passed on to the public. That would then show that the average milk was probably a high test milk, say, 3·7, so there must have been 4 and about 4. Now, do you make a test every morning on every can of milk that you receive from the farmer, or how do you arrive at that?—A. We take a composite test on each patron so many days a month, you see, that is tested every two weeks. Every two weeks—we take probably three or four tests a week and put it in the same bottle, and at the end of every two weeks that is tested, a composite sample.

Q. Is there any advantage for any dairy to buy milk above the standard 3·5?—A. I do not know what dairies are buying milk above 3·5 in the city. If there is one or two I don't know.

Q. Is your firm buying at the price for standard 3·5?—A. We pay the authorized price for 3·5 and 3 cents deducted for below.

Q. You give nothing above?—A. Nothing above.

By Mr. Pickel:

Q. Is the test made on the aggregate or for each customer?—A. Each customer is tested individually, sir. I think, Mr. Chairman, they got me kind of twisted on separating milk here at the beginning, but I will clear up that whole thing when I come the next time.

By Mr. Bertrand:

Q. Can you tell us how much you have separated?—A. Yes, I have that down here, sir.

By the Chairman:

Q. Now, I think gentlemen we will release the witness for the time being. I understand that he will be available again as soon as he can get these figures and information for the committee.

The WITNESS: I wish, Mr. Chairman, the reporters would leave out of the report all that separating question for the time being, so I could clear that up.

The CHAIRMAN: Which statement was it you mean, Mr. Cousins?

The WITNESS: Asked by this gentlemen over here to my right (Mr. Tummon).

By Mr. Tummon:

Q. Well, what I want is this, I stopped when I could not get that information because there is considerable more that I want to lead on from there, but I want that information before I lead on. Take the years 1931 and 1932, and up until the latter half of February, I want the total amount of milk that you received into your factory, I want the total amount that you classified as, let us call it, association milk, milk that was paid for at the association prices, the total amount you classified as surplus milk, and how you arrived at the quantities in each?—A. Yes, I understand.

Q. Then, I want the prices for that association milk and how you disposed of that association milk, whether wholesale or retail, what it went into, what price you received. I want the same thing for the surplus milk, how you disposed of it, whether it was ice-cream, sweet cream, powdered milk, butter, and on down; and what you received for it?—A. I have the question quite clearly now, sir.

The CHAIRMAN: Very well, gentlemen, we will have the witness released for the present. Now, we have with us Mr. Monette of the Perfection Dairy.

Mr. F. MONETTE, President and Manager of the Perfection Dairy Company, of Montreal, called and sworn.

By the Chairman:

Q. You have a statement, Mr. Monette?—A. I will give you a statement for 1931. Do you want me to read every item, or do you want me to read the principal items. I have a prepared statement which may go in.

Q. Leave it with the reporter?—A. I have prepared items, if you want me to give them to you I will give them to you personally.

Q. I think you should read the principal items to the committee, not in detail?—A. Do you want to know anything about the rolling stock, the bottles and machinery and property, I have got that.

By Mr. Pickel:

Q. How long have you been in business?—A. About five years in this dairy; I had been in the business about forty years.

Q. In the distributing business?—A. Yes, but in this dairy about five years.

By the Chairman:

Q. Mr. Monette says these are printed in French?—A. I could send you copies by return mail in English if it suits you better.

Q. I think we will have to have them in English in any case, both if you like?—A. I can send them over to you the next day if you like.

Q. Now, Mr. Monette just go ahead with your statement.—A. Now, milk seems to be an interesting question. It seems to be best that I am going to give my testimony in English, although I prefer to speak French. If I am not clear enough just ask any questions and I will do the best I can to make them clear. We are not buying milk with surplus and we don't skim. The prices paid for milk in 1931 in January was $2.08, it sold at an average price of 38 cents per gallon; February, $2.08, price sold 37 cents; March, $1.07, sold at 34 cents; April, $1.60, price sold 33 cents; May, $1.48, sold at 32 cents.

By Mr. Dupuis:

Q. Just a moment, would you kindly explain the price paid $1.67 and price sold?—A. Because I am giving you price per 100 pounds.

Q. You tell me a hundred, what would be your delivering prices by the hundred?—A. All the buying prices are per hundred pounds, and all the selling prices are per gallon.

Q. Well, it is a little confusing.

The CHAIRMAN: There is about 10 gallons to a hundred-weight.

The WITNESS: A gallon of milk weighs 10·32 or 10·33 pounds. June, $1.20, price sold 29 cents; July, $1.30, price sold 29 cents; August, $1.36, price sold 29 cents.

By Mr. Pickel:

Q. That is gross?—A. That is delivered in Montreal, and the price sold is to our customers in Montreal, September, $1.40, price sold 28 cents; the same in October; November, $1.40 paid, price sold 29 cents; December price paid $1.46, price sold 30 cents. For 1932, January, $1.46, price paid, price sold 30 cents; February, $1.46 paid, sold 30 cents; March the same; April, $1.05 paid, price sold 29 cents; in May price paid, $1.05, price sold 26 cents; June, $1.05 paid, sold 26 cents; July price paid $1.06, sold 25 cents; August, $1.07, price paid, sold 25 cents; September price paid $1.20, price sold 25 cents; October the same; November $1.28 paid, sold 25 cents; December, $1.60 paid, sold 29 cents. Total milk received in 1931, 1,180,000 gallons; in 1932, 1,293,000 gallons, and some over.

By Mr. Dupuis:

Q. Does that include the surplus?—A. Includes everything there is coming. We have kept away from buying milk on surplus because it was kind of a quarrel or upsets our shippers.

Q. So, you have only one price?—A. They much prefer these prices.

By Mr. Tummon:

Q. Do I understand that you pay for your milk really at a flat price?—A. Flat price, sir.

Q. In January of 1932, what did you say that was?—A. We paid in January, $2.08.

Q. 1932?—A. Pardon me, 1932 we paid $1.46.

Q. Was that the price to all of your producers?—A. To every one of our shippers.

Q. You paid that to every one of your shippers?—A. Every one of our shippers, no surplus, no skimming.

Q. Now Mr. Monette, what price is given there?—A. $1.40 at Howick on the first of January.

Q. These figures differ from yours.—A. I think, if you take more time, I can send you a list of every shipper and the price they got.

By Mr. Dupuis:

Q. I would like the witness to read what he has in his hand. What is the price paid at Howick?

By Mr. Tummon:

Q. That is an account, isn't it?—A. Yes.

Q. From your company to one of your producers?—A. Yes.

Mr. DUPUIS: Will you kindly give what he is reading?

By Mr. Tummon:

Q. It is a statement. The only thing I was asking, Mr. Monette—I thought I was pretty good at reading French, but I wasn't just sure—I thought that the figures you read were not just the same as those in this bill.—A. Of course, you will find some shippers who will come over and ask you if they can start selling milk, come in and deliver wholesale and the like, at certain prices, and they were not regular shippers.

Q. Is that a regular shipper?—A. I cannot tell you to-day, I could find out, I have a list of shippers. J. P. Elliott, yes, sir.

By Mr. Dupuis:

Q. Would you find it in that report sent by your company to Howick people? Would it show the price they were paid in May?—A. What we paid in May for these people?

Q. In the month of May, 1932?—A. Well sir, I will try—

Mr. BOUCHARD: I do not see, Mr. Chairman, why the witness should be called upon to read other figures.

Mr. DUPUIS: They are his own figures.

Mr. BOUCHARD: They were handed to him by you. Why should you not read your own figures?

By Mr. Tummon:

Q. They are not my own figures, they are figures on a statement identified by him as his statement.—A. Yes, sir.

Mr. DUPUIS: You are afraid of light.

Mr. BOUCHARD: No, I do not think that the hon. member for Laprairie should look for any occasion for making a statement like that. It is not because I am afraid of light, because I want light, but I want the light to come from the proper source you see, and now I am satisfied as you have given me an answer, but I don't see why the hon. member for Laprairie should be so petty about it.

By Mr. Tummon:

Q. This is a statement upon which a producer was paid by Mr. Monette's company?—A. Yes, sir.

Q. And it is a statement for the year 1932?—A. 1932, yes.

Q. In watching the statement Mr. Monette read about the prices which he paid to his producers, I noticed discrepancies, as much as six to seven cents per hundred pounds. I merely ask him to identify his own statement.

By Mr. Dupuis:

Q. Would you tell me what you paid?—A. The average price was $1.05.

Q. To Howick people?—A. Mr. Elliott over here in May had one dollar instead of $1.05. That means very likely that somebody had $1.10, generally $1.10.

By Mr. Tummon:

Q. That is not the average price then, Mr. Monette?—A. It is—I might explain that better in French, if you would just allow me. I have nothing to conceal.

Some hon. MEMBERS: No, no.

The WITNESS: I am here to tell you everything I can. In July our price was $1.06, so you can see that there was not very much difference. The first of September we paid $1.20.

Q. Yes, how much for October?—A. October $1.20. They had $1.20; November we paid $1.28 average, and he had $1.20; November he had $1.35 and the average price was $1.28; December $1.60. Now, we paid $1.60 in January, and $1.35 in February of 1932.

By Mr. Dupuis:

Q. Would it be too much for you to begin in 1932 and go over the year?—A. Sure, do you want the price paid or the price sold?

Q. The price paid to the farmers.—A. I will file that with the committee, if it is any good.

Q. Yes.

By Mr. Pickel:

Q. It should be filed in connection with these returns.—A. We will do that.

Q. What the hon. member is asking there is that you prepare the month of January on your statement with the month of January on Mr. Elliott's statement.

Mr. DUPUIS: Yes, that is all I want.

By Mr. Pickel:

Q. Mr. Monette, does this discrepancy exist with all of your people, or does it just happen to be Mr. Elliott?—A. I can swear that the average price paid to the farmer was this, that is as far as I can go.

Q. Would you admit that perhaps there are some other shippers who get a good deal less than Mr. Elliott?—A. I cannot swear that. All I can swear is this, that the average price paid to the farmer was this. That is as far as I can go here. If you want more information on certain individuals I am ready to give it to you.

By Mr. Moore:

Q. Would you please give us that particular one?—A. Yes.

Q. And you also stated I believe, that you paid all a flat price?—A. Yes. But the word "flat price" may not be the exact translation.

By Mr. Bouchard:

Q. Yes, it is a flat price.—A. You will have to excuse my English, but it is the best I can do.

By the Chairman:

Q. Can you make that comparison?—A. Yes, I can do it here. The first of January, 1932, $1.46, $1.40, $1.46.

By Mr. Dupuis:

Q. That is your price for January?—A. That is the price we gave on our milk, for milk received in January, 1932, $1.46. That is the cost of our milk.

By Mr. Tummon:

Q. Did they all receive the same?—A. That is what Mr. Elliott got, exactly.

By Mr. Dupuis:

Q. For which month?—A. January, $1.46, Elliott, $1.40, paid $1.40, the same; March the same, April—

By Mr. Gobeil:

Q. The same?—A. The same price. He got $1.40, and we paid $1.46 for the three months. The first of April we paid $1.05 average, $1 for Mr. Elliott; May $1, we paid $1.05; June $1, price $1.05; July $1.06, Elliott $1; August $1.07, Elliott $1; September $1.20, Elliott $1.20; October $1.20, Elliott $1.20; November $1.28, Elliott $1.20—the later part of November we paid $1.25 to Mr. Elliott, and the average price was $1.28; so that means he sent in 1773 pounds at $1.20 and 2,400 pounds at $1.35; so that his price would be better than $1.28 in November. In December the price was $1.60, and Elliott, $1.60.

By the Chairman:

Q. Mr. Monette, I was not in when you were giving part of your evidence, and I should like to know if you pay any premium for butter fat content.—A. We do not, sir.

Q. You pay on a uniform basis?—A. On a uniform basis.

By Mr. Pickel:

Q. This price of 25 cents express must be deducted from the farmer's price?—A. I cannot say the price is 25 cents.

Q. Well, the express charges.—A. Well, in some cases it is as low as 18 cents, but the farmer takes care of that.

By Mr. Bouchard:

Q. What breed of cattle has Mr. Elliott?—A. Breed of cattle? We don't know.

By Mr. Bertrand:

Q. You receive this milk at the station and you bring it to your plant. Have you a pasteurizing plant?—A. Yes.

Q. Of your own?—A. Yes.

Q. Do you know how much it costs per hundred pounds?—A. I cannot give the exact figures, but from five to six cents. It depends on the size of your plant and the quantity of milk you pasteurize.

Q. You claim it costs from five to six cents?—A. Yes, per gallon.

Q. Per gallon?—A. Per gallon. In that we include loss of weight.

By Mr. Picketl:

Q. How much?—A. About $1\frac{1}{2}$ to 2 per cent.

By Mr. Mullins:

Q. Does it improve the milk?—A. Well, I cannot say to that; but there is one thing I can say, that in large cities everybody desires pasteurized milk. It is a public health ordinance, and we have to comply with it.

By Mr. Pickel:

Q. Do you sell wholesale or retail?—A. Part wholesale and part retail.

Q. What proportion?—A. It varied a good deal last year, because we went off the retail trade, and went into the stores and institutions and hotels.

Q. What do you get wholesale?—A. Last year we had 29 cents for the month of December—I mean to say the average price was 29 cents in the month of December.

Q. Your wholesale price?—A. The wholesale price in the month of December.

Q. What is your wholesale price now?—Our wholesale price to-day varies from five cents a quart to six cents.

Q. What is your retail price?—A. Retail price from eight to nine.

Q. Do you deliver milk in Montreal?—A. We—

Q. Did you in December?—A. No, sir.

Q. Do you make butter?—A. A little, very little.

Q. Buttermilk?—A. Hardly any. We are principally cream and milk dealers. We buy most of our cream from creameries, some in the county of Huntingdon. I think some of you gentlemen are interested in that district.

By the Chairman:

Q. Sweet cream?—A. Yes. But the quantity of cream that is coming into Montreal is going down year by year because of haulage costs.

Q. Is this sweet cream pasteurized before it is sold?—A. Oh, yes.

Q. But it does not come, necessarily from inspected stables?—A. It has to do that sir.

Q. When you buy from creameries?—A. We have to have authorization from the Board of Health in order to get it.

By Mr. Pickel:

Q. Do you buy this cream pasteurized or pasteurize it yourself?—A. Most of it is pasteurized, but we do pasteurize it when it comes in.

By Mr. Mullins:

Q. Do you add anything to the cream or milk, any ingredients besides pasteurization?—A. No, not allowed to do that.

Q. Do you put any powder in?—A. No, sir; why should we put powder in?

Q. Nothing but cream only?—A. Is the cream not good enough without adding anything to it?

Q. Well, some of the cream does not look as if it is very thick, and I thought probably you put something in it. What about your buttermilk?—A. We do not sell hardly any.

Q. What kind of ingredient is it that you put in, do you know?—A. We do not handle enough buttermilk to give you what you are after. We are a small dairy, and the larger dairies that will come after me will you more information than that. The buttermilk that we use is taken off the churn, which is a thing of the past in Montreal.

Q. I think it is.—A. You do not get it because there is hardly any more cream churned in Montreal; besides that, the taste of the people has switched to culture buttermilk.

Q. Well, I do not want it.—A. If you were living in Montreal you would.

By Mr. Pickel:

Q. Can you tell us why Mr. Elliott was discriminated against?—A. He was not discriminated against at all, sir. That man might have made an arrangement with the dairy and say well, I will sell you my milk at so much. You see, in certain times, he got a little more than the average price.

Q. Why should that be so?—A. Well, when you are making a bargain you know what it is. When you buy so many pounds at such a price, and the other fellow will buy say, a dollar cheaper—

By Mr. Tummon:

Q. Do you sit in with the distributors when they are negotiating with the Montreal Producers' Association?—A. Sometimes we do, and sometimes we don't. We are not one of the big dairies, and sometimes we are overlooked.

Q. Do you say you are not invited?—A. I do not say we are not invited, but we do not count very much, so we may as well stay home.

By Mr. Pickel:

Q. What is your idea of the selling price of milk?

Mr. MOORE: That is rather an evasive answer.

By Mr. Tummon:

Q. The price you pay to the producer, Mr. Monette, is not the price as I understand it, that was paid by the association. It was not an association price.—A. Well no. I am not going to say it is the association price, certainly not, and nobody pays it. There is nobody who paid the association price, and the reason of that is that we have so many farmers who were dissatisfied with the way the thing was handled. They would rather have a uniform price and know what they were getting for their milk when they send it to Montreal, and they have so much at a price, at the Association, and so much at another price, over which they have no control. We have a lot of new shippers, and it is a daily occurrence that they write us saying we are dissatisfied. We have been shipping for eighteen years, fifteen years to the large companies, and we are dissatisfied. We would very much rather to have your way of doing it, because we would know what we are going to get. Take January and February, our price was $1.60 in January and without any skimage, we take care of that. We had a surplus the same as everybody else, and we took care of that in the price we are paying for our milk.

Q. In regard to the price, you said that the producer has a bargain with your company.—A. Yes.

Q. In each and every case?—A. Well, I would not like to say that.

Q. Have you a uniform price in which all the producers are paid the same during the same month?—A. I would not like to say we have a uniform price, but it varies very little, because shippers should be classified in one, two or three grades. The shipper who will send you milk, say four or five cans a day during the whole year, is a better shipper than the one who is going to send you five cans during the summer time, and two in the winter.

Q. Yes I will agree with that.—A. So that you cannot expect that man who supplies you with milk the year around to have the same price as the man who only sends you milk in the summer time. In that way we strike an average, and say this is what we pay.

Q. Now, take the milk that you receive from the producer; do you dispose of all that milk as sweet milk?—A. No, we cannot do that, because the production of milk in the summer time goes up, and we have a surplus.

Q. Well, you do not pay for the milk on a surplus basis or on association basis, and nevertheless you have a surplus.—A. Yes.

Q. How do you dispose of the surplus?—A. We make cheese, we make butter, we make cream, and we dispose of it the best way we can.

Q. You sell considerable milk wholesale?—A. Yes.

Q. You mentioned a moment ago you sold milk to the stores?—A. Yes.

Q. What stores?—A. I know what you refer to, you refer to the Thrift stores. Is it a fair question to ask me that?

Q. I have not that in my mind any more than anything else.—A. Let us forget that. We went off the retail business to the store business, because the cost of delivery in Montreal is very high, and by selling our milk to the stores at the lower price, it was better for us to do that because we had our money, and we did not lose any bottles, and more than that we have a lot of poor people

who were able to buy milk at a lower price, and thus buy more of it; and I believe that the store business has increased the sale of milk in Montreal to a large extent.

Q. When did you start selling milk to the stores?—A. I would not like to say that, I think around September. It was not our dairy that started that, it was two other dairies that started it, and they fell down and we took it after.

Q. What were the names of the dairies that fell down?—A. The Producers' Dairy, Chartrand was the manager, and the Franklin Dairy.

Q. What was milk retailing at in Montreal when you started to sell to the Thrift stores?—A. To the best of my knowledge, nine cents.

Q. What did you sell it at?—A. Seven cents. We were selling to the Thrift Stores—I would not like to put their names in the papers, if I can avoid it.

The CHAIRMAN: It is there now.

The WITNESS: Yes. Then, I am going to ask permission to talk French, because it would not be fair—it is not fair.

By Mr. Tummon:

Q. We do not care about the names.—A. As long as you keep it out, all right, because it is not fair for me to give any man's name.

Q. We will say "chain stores".—All right. They were selling their milk at seven cents.

Q. You were selling them at seven cents?—A. No. When they handle milk, they handled it at one a quart, that was their profit.

Q. How much did you sell the stores? What did you charge the stores per quart for the milk?—A. When the stores sold milk at eight cents, we sold it to them at seven; when we sold at seven we sold to them at six; they made one cent per quart on the sale of milk. Do you follow me?

Q. Yes.—A. All right.

Q. You say that you rather favoured the selling or the retailing of milk through the chain stores?—A. Yes.

Q. Do you think that is the best way to get milk distributed?—A. I believe so, because money is very scarce, salaries are coming down, and why should a man be asked to pay two or three cents a quart more for his milk than he can get it for at the store, when he can get it at the store for two or three cents less?

Q. How old must the milk be that is delivered to the consumer?—A. I do not understand.

Q. How soon after the milk is drawn from the cow do the Montreal regulations say the milk must be delivered to the consumer?—A. From twenty-four to forty-eight hours; but really the by-laws of Montreal will give you all that information; we have to comply with that.

Q. Forty-eight hours?—A. Yes.

Q. If the distribution of milk in a city like Montreal was left to the distribution of the stores, do you think they could satisfactorily comply with that by-law, when you take into consideration the holidays, legal holidays, Sundays and so forth? Do you think they could?—A. Legal holidays these stores are closed and they don't deliver any milk. I am going to tell you more than that, the day after Christmas and the day after New Year's all these stores were closed, and we don't deliver on Sunday. We didn't deliver any milk to them on Sunday; we didn't deliver to them the day after Christmas, which I remember very well.

Q. You have some rigs, automobiles or such like, which rigs deliver to the doors?—A. Yes.

Q. Then you deliver a less quantity through those rigs, don't you?—A. The rigs that deliver from house to house?

Q. Yes.—A. Certainly; that went down.

Q. Then your cost would go up?—A. In that way; the cost of delivery didn't go up with us, because we added to those rigs some milk sold to the stores.

By the Chairman:

Q. They carry milk to the stores?—A. Yes, to the stores; if there was half a load of milk going to the retail trade, and half a load going to the stores, well, they would get it. Our cost would not go up. When we delivered milk to the stores it cost us a good deal less than if we delivered from house to house; and if you want me to, I could tell you from my own experience, that it costs about three cents a quart to deliver a quart of milk to a retail house, for one quart customers.

By Mr. Tummon:

Q. Three cents a quart?—A. About three cents a quart, yes; I would not like to give you it exactly, but it is pretty near; say two and a half to three.

Q. You mean just the cost of delivery is three cents a quart?—A. Cost of delivery. If you want to figure it out yourself, I can give it to you, and you can make it out for yourself.

By Mr. Rowe:

Q. You mentioned a little while ago you bought some of your milk pasteurized—you bought it pasteurized?—A. Bought milk pasteurized? We have to pasteurize it in our dairy.

Q. I understood you to say that; that is why I asked.—A. It is cream I answered.

Q. Cream was pasteurized?—A. Yes, cream was pasteurized; part of it is pasteurized, others is not pasteurized. I remember very well in the case of some cream at least, this cream comes over pasteurized.

Q. I understood you to say it cost five to six cents a gallon for pasteurizing? —A. For pasteurizing milk, five to six cents a gallon, for pasteurizing milk. This price may vary a little. It depends on the size of the plant and the quantity of milk which you sell.

By Mr. Bouchard:

Q. You mean per gallon?—A. Per gallon.

By Mr. Rowe:

Q. Fifty cents a hundred, pasteurized?—A. Exactly, five cents a gallon; yes, exactly. No, fifty cents a hundred, five cents a gallon—that is five cents a gallon, yes.

Q. About fifty cents a hundred to pasteurize milk?—A. Yes. No, it costs more than that.

The CHAIRMAN: No, you are mistaken in that.

The WITNESS: Five cents a gallon, fifty cents, that is right. You are right, sir. Five cents per gallon.

By Mr. Dupuis:

Q. Are you sure of your figure—of five cents?—A. Yes, I am not far wrong.

Q. We have been told that it costs approximately eleven cents per hundred to pasteurize?—A. Eleven cents per hundred?

Q. Yes, that it costs approximately eleven cents per hundred to pasteurize. —A. We could not do it for that, because if you take into consideration the

price of coal and the price of refrigeration, about $35 a horse power, hold it overnight, lose from two per cent—1½ to 2½ per cent—in winter time at least two per cent, in the summer time less. I am not very far from five cents. You can get those figures here.

By Mr. Rowe:

Q. In following your answers to the questions of Mr. Tummon a few minutes ago, I understood you to leave the impression that the chain stores of Montreal did not sell milk at any time for advertising purposes at less than their cost price?—A. I am not going to say that, because I do not run the chain stores. I am only telling you what they are doing; naturally the chain stores have been advertising milk at seven and eight cents.

Q. Yes?—A. When the price was nine to ten cents.

Q. Yes; but in your answers to his questions you said that when they sold milk at seven cents you supplied it to them at six cents?—A. Yes.

Q. And when they sold it at eight cents, you supplied it to them at seven cents?—A. Yes.

Q. In other words no matter how low they sold it, you supplied it a cent lower?—A. I beg your pardon?

Q. I say that in other words no matter how low they sold it, you supplied it a cent lower? That was the impression you left.—A. I didn't say that. I say they got so much for their milk, for the milk I sell them. After that, it is their milk. It don't belong to me any more, and I have got their money.

Q. I quite appreciate that.—A. They could sell it at the price they liked. I have nothing to do with that; and so far, they have been selling milk at a cent advance.

By Mr. Moore:

Q. Supposing these chain stores or these small stores——A. Yes.

Q.——have any milk left over, what do they do with that?—A. Our name is on the bottle. We put our name on the cap. Our name is on the cap. It is to our interest to get them to sell this milk; the next day we take back that milk.

Q. You take back the next day any left-over milk?—A. Any left-over. Besides that, I can say this, that the board of health looks after that. We don't have to do that.

Q. Mr. Monette, you resell it?—A. That milk, pardon me, we are not allowed to. The milk by-law won't allow you to put milk that has been out once. It has got to be skimmed, or else turned into cheese or butter as the case may be.

Q. Manufactured somehow?—A. Manufactured somehow.

By Mr. Dupuis:

Q. Mr. Monette if I understood your evidence rightly you say that when you sell to the chain stores you sell at a price to them, and in so doing that you decrease your cost of——A. Delivery.

Q. ——delivery?—A. Yes.

Q. That it provides milk for the poor people, which means a large number of unemployed who have nothing to do, and who are ready to get their milk at the store instead of having it delivered by you at their houses?—A. Yes.

Q. And pay a couple of cents less.—A. Yes.

Q. Now, as you understand, the object of this committee is to find the cause of the difference between the price paid to the farmer and the price sold to the consumers. You mean by that to say that it does not interfere at all with your agreement to pay a certain price to the farmer, even if you sell it to the chain stores——A. And there is the condition here, when I give you the price we have

been paying to the farmer for the last two or three months. We have been paying the association price for the last two or three months, the same as anybody else; in fact it is better than some, because we have new shippers coming in all the time.

Q. Am I right when I understand that you pay more to the farmers than the average dealer in milk?—A. It would be good advertising. Only for the last three months, I would say yes. I am not going to say we are always able to pay more than anybody else and then sell less, sell at a lower price, but so far, if you look at our price, you will find that our spread is gradually going down. With that, it does not mean that we are making less money, nor that it costs us less to deliver.

Q. Therefore we may conclude by that that you make just as much money in selling your milk to the chain stores as you make in delivering it to the houses?—A. Yes.

Q. The same profit?—A. I would say that, with practically the same profit. Now, you must take into consideration that in Montreal now, that selling from house to house, there is a lot of people on relief, and naturally if you get some of those customers, we are apt to lose some money.

Q. But when you have the luck——A. If we are lucky, we lose less; if we are not lucky, we lose more.

Q. I wish to put a fair question to the witness; we are informed that the milk dealers in large cities who receive milk from the farmers, measure up the quantity of fat in the milk which they receive, and that they are bound in delivering their milk to the consumer, to put in a certain quantity of fat; and if there is more, they take away that quantity of fat which is not necessary, and make cream or other milk products.—A. I cannot answer for the other dairies, but for our part, we do not do that. We buy milk from the farmers, get the best quality we can, and then we sell it as it is after pasteurization.

Q. What quantity of fat are you bound to leave in the milk you deliver?—A. Whatever there is. If it is 3·25, it is 3·25; if it is 3·70, it is 3·70. We do not touch the milk.

Q. You don't verify it?—A. Certainly, we have got to verify it to see that we don't get any milk that is below the milk by-law. That is the only reason we do it.

Q. The only thing you do is to make sure?—A. Sure. We try and check up our farmers the best we can, and sell their milk as it comes in. If the committee want a list of our shippers, if it is of any interest at all, I have it to the first of February.

By Mr. Bertrand:

Q. Is your company affiliated with any other companies?—A. No, sir, we are one small company.

Q. Are you a subsidiary?—A. No, not at all. It is a small company.

The CHAIRMAN: Now, gentlemen, it is one o'clock. Do you suppose we can dispose of this witness?

The WITNESS: Don't ask me to come back, if you please.

The CHAIRMAN: What time do you want to go home?

The WITNESS: As soon as I can. Three-thirty would suit me better, if you have not too many questions. I think I have answered very nearly everything.

By Mr. Pickel:

Q. Mr. Monette, do you buy on a standard basis, 3·5?—A. No, sir. We buy milk exactly as it comes, at a uniform price.

Q. How often do you test?—A. I beg your pardon?

Q. How often do you test?—A. We test occasionally, not all the time.

Q. Suppose you receive milk at 2·8; would that make any difference?—A. It would make some difference.

Q. In the price?—A. In the price? No. When we detect a farmer, you see, that is not an honest farmer, we just cut him off.

Q. You don't pay any premiums?—A. No, we don't pay any premiums; we don't deduct anything.

Q. You don't penalize him if he is under 3·5?—A. If he is under the milk regulation, then he comes in on "Milk adulterated" and the board of health looks after him.

Q. Who is president of your company?—A. I am.

Q. How long have you been in business?—A. With that company, about five years.

Q. Have you a board of directors?—A. Yes, a family affair.

Q. That is a family affair?—A. Yes.

Q. You are the president?—A. Yes.

Q. What is your salary?—A. No salary; don't get anything.

Q. What is the capital of your company?—A. $125,000.

Q. Fully subscribed?—A. Fully subscribed.

Q. Who are the stockholders—how many are there?—A. Stockholders? Oh, there would be six or seven. I will say six; and I will say that I own about 95 per cent of the whole company.

Q. What dividends do you pay?—A. No dividends.

Q. None at all?—A. No, sir.

Q. Just doing business— —A. We are just five years old. It is a new company.

Q. Just doing business for your health?—A. Not exactly, sir, because I have got something else to do, through some other revenue.

Q. Your board of directors consists of how many?—A. Five.

Q. Five?—A. Yes.

Q. All in the family?—A. Yes, except one, J. Hebert.

The CHAIRMAN: I cannot understand that, Mr. Monette, how it is if you get no salary and no dividends, that you are going along.—A. It happens I have some more revenue, some outside revenue, besides that.

Q. You mean to say up to the present time you have made no profit on your transaction?—A. We haven't made very much—not very much.

By Mr. Pickel:

Q. How much?—A. It is hard to start a company and make a profit in these years, and you will see by my statements that profits are not very high.

By the Chairman:

Q. I would like to ask another question.—A. Yes.

Q. Since you have been selling the stores milk, the prices have been somewhat lower; has that had any effect whatever on the price you have paid to the producer?—A. Not at all, not at all; and if you will look at our prices paid to the farmers, in the list I have filed with you, you will find we have mostly paid the association price for three or four months back, that I remember.

By the Chairman:

Q. The price at which milk is being sold in the stores at the present time will naturally have a bearing on the price thay will have to charge, is it not reasonable to suppose that?—A. Well of course what the other dairy,—What effect it has on the other dairies I could not tell you. It is easy to see, they will have to come down.

Q. Then, if they have to come down, do you not think that this will eventually affect the price that the producer receives?—A. We meet the other fellow, Mr. President, by the fact that the price we pay—that we give—Because, I remember in January, which is one of the hard months, because there is always a surplus in January, there is hardly any milk sold around Christmas and New Years, that is the time for surplus, and we haven't paid any less for our milk during that time, we paid the same.

Q. I would like to know, if you can tell me, in a few words, what are the factors that enter into the setting of prices. What factors enter into your calculation when you set the price to the farmer.—A. Supply and demand, and the price that we can obtain for our milk.

Q. Well, what constitutes the price you can obtain for your milk?—A. I don't get your question.

Q. You say, the price that you can get for your milk, that is, I suppose, from the consumer helps to set the price you pay the producer?—A. Yes.

Q. What sets the price that you get for your milk?—A. You see, when we are getting eight and nine cents for our milk, some of our whole milk that we sell at five cents, and other that we sell at six, well, with that we have so much expense, we have got to have a certain spread to meet our expenses and pay our bills.

Q. What I have not got to the bottom of in this whole discussion so far, either from yourself, or representatives from the Producers' Association, or from Mr. Cousins, is what are the factors that determine the price either to the producer or to the consumer. There must be some reason for setting a flat rate of ten cents per quart to the consumer. There must be some reason for setting a flat rate of so much per hundredweight to the farmers. I would like to know what are the determining factors.—A. You see, when we figure that the cost of delivery is about three cents per quart, pasteurization about a cent a quart—a cent and a half,—that is so much; pasteurization and other things.

Q. I know, that is the spread.—A. That is the spread, yes.

Q. But why not say, for instance, put it on this basis, that the farmer should receive $1.50 per hundred for his milk, and then set the price to the consumer accordingly; or put it the other way, that the consumer must pay 12 cents a quart, and then the farmer will get so much accordingly.—A. Yes, it would be fine, if you were all alone in the city of Montreal, but there are others alongside of us, that might be willing to sell their milk at a cent less, where would we be; well, our customers would go.

Q. You mean it is a matter of competition?—A. A matter of competition.

Q. Not an arrangement among yourselves?—A. I am not in the game sir, that I swear.

By Mr. Pickel:

Q. Mr. Monette, does your company pay any income tax?—A. Yes, we do.

Q. How much?—A. Oh, I could not tell you that offhand. You could get that from your income tax department.

Q. They won't give it to us.—A. They won't give you that? I will send it to you, but we do pay income tax.

Q. But no dividends?—A. No, sir.

Q. A rather peculiar situation?—A. Peculiar situation, oh, no. A good many others like me have not paid any dividends.

Q. That is the condition of the farmers all through the country?—A. Of course, the farmer, he is in this position, you know that he has got to compete with the world.

Q. When you distribute your milk, you get the same price for the milk distributed by retail as the other companies do?—A. Would you mind mentioning a few names because they do not all sell at the same price.

Q. Guaranteed milk?—A. No, sir, some of it and others not.
Q. You cut prices?—A. Don't have to cut prices, they all do that.
Q. Do you sell for the same price?—A. We follow as much as we can.

By the Chairman:

Q. Mr. Monette, you don't mean to convey the impression to the committee that you are making no profits on your transactions?—A. We are making some, sir, not very much.

By Mr. Pickel:

Q. What is the condition of your company, have you any surplus?—A. In what way?
Q. Have you anything on hand?—A. Certainly.
Q. But not enough to pay a dividend?—A. Not enough to pay a dividend, don't have to.
Q. Don't have to?—A. We don't have to pay any dividend, it is left in the company, whatever there is.
Q. Have you a charter?—A. Yes, a provincial charter, yes, sir.
Q. You are capitalized at $125,000?—A. $125,000.

By Mr. Mullins:

Q. Mr. Monette, you have had to do, for some years, 28 years, almost continuously with the dairy industry. If you were milking cows, would you prefer hand milking or machinery? Now, that is just in the interests of the consumer that I am asking that question, knowing that you were connected with it for some years. Do you prefer hand milking, or a cow milked by machinery?—A. A cow milked by machinery? As long as your machinery is well kept, under very hygienic conditions, it is just as well. There is not very much difference, taking the average cow. I am speaking for the receiver of milk.
Q. Suppose you have a cow that gives five quarts of milk, and one that gives ten or twelve quarts of milk, and that machinery is set for the larger production, what is happening to that cow that gives the lesser quantity of milk; isn't it working on that?—A. That is what I told you. I said I was not talking for the cow but for the milk receiver in Montreal, for the milk distributor in Montreal; as long as the machinery is well kept, I do not think there is much difference.

The committee adjourned at one o'clock, to meet at the call of the Chair.

APPENDIX "B"

LAITERIE PERFECTION LIMITÉE
PERFECTION DAIRY LIMITED

MONTREAL

1931

	Prices paid for milk received per 100 lbs.	Prices paid for milk sold per gallon
January	$2 08	$0 38
February	2 08	37
March	1 70	34
April	1 60	33
May	1 48	32
June	1 20	29
July	1 30	29
August	1 36	29
September	1 40	28
October	1 40	28
November	1 40	29
December	1 46	30

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,
Per: R. LEDOUX,
Accountant.

1932

	Prices paid for milk received per 100 lbs.	Prices paid for milk sold per gallon
January	$1 46	$0 30
February	1 46	30
March	1 46	30
April	1 05	29
May	1 05	26
June	1 05	26
July	1 06	25
August	1 07	25
September	1 20	25
October	1 20	25
November	1 28	25
December	1 60	29

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,
Per: R. LEDOUX,
Accountant.

TOTAL MILK RECEIVED

	Lbs.
1931	11,804,042
1932	12,935,423

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,
Per: R. LEDOUX,
Accountant.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 16, 1933

No. 6

Reference,—Milk and Milk Products

WITNESS:

George Hogg, President, Guaranteed Pure Milk Co., Ltd., Montreal.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, March 16, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Boulanger, Bowen, Boyes, Brown, Carmichael, Donnelly, Fafard, Gobeil, Goulet, Hall, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Porteous, Sauve, Seguin, Senn, Shaver, Simpson, Smith, Spotton, Stewart, Stirling, Taylor, Totzke, Tummon, Weese, Wilson, Weir *(Macdonald)*.

The chairman called for a report from the subcommittee on witnesses.

Mr. Tummon for the subcommittee reported that Mr. George Hogg, President of Guaranteed Pure Milk Co., Ltd, of Montreal, had been summoned to appear to-day.

Report received and concurred in.

George Hogg, President of Guaranteed Pure Milk Co. Ltd., of Montreal, called, sworn and examined.

Witness was instructed to file certain statements by forwarding same to the Clerk.

Witness retired.

The meeting adjourned at 1.15 p.m., till Tuesday, March 21, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee

MINUTES OF EVIDENCE

House of Commons, Room 231,

March 16, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The Chairman: Gentlemen, when we adjourned on Tuesday it was understood that we should meet again at the call of the chair. I am going to ask Mr. Tummon to make a report as chairman of the sub-committee on witnesses.

Mr. Tummon: The only report of the sub-committee I have to make is that we asked Mr. Hogg of the Guaranteed Pure Milk Company of Montreal to appear before the committee this morning and give evidence. Now, may I state further that I think Mr. Cousins agreed that he would be prepared to continue his evidence about next Tuesday. Such being the case, I think we should have Mr. Frank Cousins and Mr. Monette back next Tuesday, and also have Mr. Cousins, the president of Ernest Cousins Limited, here as well.

The Chairman: We have with us this morning Mr. Hogg of the Guaranteed Pure Milk Company of Montreal and we will ask Mr. Hogg to come forward.

George Hogg, called and sworn.

The Chairman: You have a prepared statement, Mr. Hogg?

The Witness: Yes, I have a statement. Mr. Chairman and gentlemen, the company that I represent had its beginnings in a very small way almost forty-eight years ago, when I started as a young lad, red headed and just as green as the fields I came from. We were having rather difficult times on the farm in order to make headway in those times, and I conceived the idea that, if I could deliver my milk to the city, things might be better. But one thing I was short of at the time was cash, and I have been more or less in that condition ever since. In any case, I had raised as a young ambitious boy would do, a couple of very nice fillies at that time, and Dr. McEachern, whom I am sure the Hon. Mr. Motherwell will remember, was buying these fillies and sending them out to a ranch in Alberta for breeding purposes, and he came down and looked at these fillies of ours, and I was fortunate enough to sell him one for $150. That, gentlemen, gave me the start. I bought an old black horse and a two-wheeled cart and a half a dozen rusty cans—they were not so particular those days as they are at the present time—and I started out full of courage to try and build up my destiny. That was in the fall of 1885 and for sixteen years after that time I milked my cows and cooled my milk, and either myself or a helper delivered the milk in the city, and during all those years, gentlemen, I was never in my bed after three-thirty in the morning, and in looking back now I sometimes wonder how we did it. When we got done at 6 o'clock in those days we thought it was fairly early. My neighbours were all working in the same way I was, and very happy to do it. Yet, we carried on, I think, until 1902, and by that time I had built up two decent milk rounds, and the opportunity came to branch out into the city, and I and the late W. H. Trenholme who was my brother-in-law at that time, took over a com-

pany that had been started in the city of Montreal and had run for a little over a year, and it was practically on the rocks at the time we took it over. We went in there, and there I have been working ever since. I am now, as I told you, in my forty-eighth year in business. Now, with that I will start my story about the conduct of my business, and I have first a letter that I want to read to you.

The the Select Standing Committee on Agriculture and Colonization,
Ottawa, Ont.

Mr. CHAIRMAN and GENTLEMEN,—Feeling that our common interests will be better served I have prepared a general statement of the policies and practices of my firm with regard to the main factors governing our operations as a dairy.

I have made no attempt to present actual figures or percentages as I feel that any detailed information required can and will be supplied in answer to your questions on any specific subject.

The sole purpose of this general statement is to establish a record of our practices and the various elements encountered in our operations.

I have the honour to be,

Your obedient servant,

GEO. HOGG,
President,

GUARANTEED PURE MILK COMPANY LIMITED.

PRICE TO PRODUCER

At the outset we should like to describe the relations existing between our company and the producers who supply us. In our company the producers have a guaranteed outlet for their product and can depend absolutely on regularity of purchase and payment. On the other hand, the amount they supply is not always constant, and our company has to be prepared to meet this situation both when production volume is high and when it is low.

The producers are fully protected on the price they are paid by the agreement agreed to between the Producers' Association and our company. This agreement we strictly adhere to, and refuse to buy milk at a lower price even when it is offered to us.

From time to time adjustments are necessary in the basic price. Should our company desire to make an alteration in this price, we approach the Producers' Association and endeavour to reach an agreement. Similarly when the producers feel an adjustment to be desirable, they have equal facilities for approaching us. Thus our mutual interests are adequately served.

In addition, the average price we pay the producers is actually higher than the agreed price, owing to the fact that we pay a premium for milk of a high butter fat content. The contract price is on a basis of 3·5 per cent butter fat content, but we also pay 3 cents per 100 pounds for every point that the butter fat content exceeds this basic figure—that is to say, for milk of 3·6 per cent butter fat content we pay the basic price plus 3 cents per 100 pounds. In 1932 the average test was nearly 3·7 per cent butter fat content, so that our producers in that year received on an average six cents per 100 pounds more than the basic price established by the Producers' Association. For this reason, in our specific case, it is not fair to judge the spread between purchase and sale price by the agreed price.

Surplus Milk

Unfortunately, it is not possible for anyone in the dairy business to maintain a control of or to regulate the supply. The fluctuation of supply very often creates a situation whereby a producer will be shipping us three times as much milk during the abundant season as he can or will ship during the short or "off" season.

In addition to this, we are faced with fluctuation of demand, and it adds considerably to our problem that in a good percentage of the time the demand increases in direct confliction with the supply. That is, that very often the demand increases while the supply shortens and will decrease when the supply is abundant. The fluctuation of demand is particularly acute in the larger urban centres.

These factors, despite our most conscientious efforts, create a condition of over-supply which is regarded as surplus milk and paid for by us as such. Our firm goes to great lengths to co-operate with the producer by attempting to anticipate the demand and regulate the supply so accurately that the percentage of surplus milk is kept to a minimum.

We refer to surplus milk as that milk not sold through any of our regular avenues of sale, but used as sweet cream or used in the manufacture of butter. All the milk classed by us as surplus milk is used in this manner and none ever sold through regular profit-producing channels.

It is due to this practice coupled with the efforts we make to co-operate with the producer in anticipating demand and arranging for adequate but not superfluous supply that made it possible for us to keep our percentage of surplus milk, or milk paid for at a lower rate, to approximately only 11·9 per cent of the total milk purchased by us during 1932.

Each month (we pay the producer on a monthly basis) we take the total volume of surplus milk and break it down on a pro rata basis among all the producers, so that each supplier assumes a fair share of the lower price paid for surplus milk. For example, if our surplus milk for any month were 1,000 pounds and the breakdown showed that any one producer had shipped us 10 per cent of the total milk received, 100 pounds of the milk he shipped us would be purchased at the price of surplus milk.

Buttermilk

Our "Old Fashioned" churned buttermilk is made according to the standard methods taught in every dairy school in Canada and United States.

Fresh, nearly whole milk is pasteurized. Fresh buttermilk is added to the milk, which is allowed to sour.

The soured milk is churned till it has the right consistency and cooled to 38° F. All the butter is left in the buttermilk.

Buttermilk, produced in this manner, is much superior to the small churn buttermilk in that it is controlled from a sanitary standpoint, uniform in quality all the year through, richer in butter fat and does not whey off because it is not churned to the extreme.

It is not a by-product but a real dairy product.

Pasteurization

There is no need for us to go into an elaborate treatise on the beneficial effects of pasteurizing milk sold in urban centres.

Such authorities as:

The Federal Department of National Health,
The Federal Department of Agriculture,
The Provincial and Health Departments of large cities,
The Canadian Public Health Association,
The Departments of Preventive Medicine of all the Canadian Medical Schools,

recommend the pasteurization of all milk supplies.

We, on the advice of physicians, installed adequate and costly pasteurization equipment even before the pasteurization of milk was demanded by civic by-law.

Delivery Requirements

The conditions under which milk must be delivered from producer to ultimate consumer apply to no other commodity. In order that the product be at its best it should be used within 48 hours after the herds have been milked. During this period it must not be permitted to rise more than a few degrees above refrigeration temperatures. While it is true that certain methods of distribution now being followed may not satisfy these conditions, the methods which we employ, and which are employed by all responsible milk distributors, ensure that the necessary conditions of delivery are satisfied in every respect.

A delivery system designed to handle milk efficiently, quickly, and healthfully is expensive. In the first place, adequate refrigeration equipment must be maintained at the dairies. Secondly, public demand, competitive situation and quality standards, force us to deliver all milk placed on any vehicle within a very few hours of its start from the dairy. This makes it impossible for us to load our vehicles to a maximum capacity and makes it essential for us to employ many more vehicles than would be required under other circumstances. Finally, for operations under summer and winter conditions, we are forced to maintain double delivery equipment, half of which is always idle.

Covering costs of the service as outlined may mean some additional charge to consumers. Since the service is imperative if health standards are to be maintained, this added cost most certainly has ample justification.

Price to Consumer

With regard to the spread between the price at which we buy our milk from the producer and the price at which we sell it, we should like to emphasize one point very strongly. Though the individual consumer now pays nine cents a quart for milk delivered at his home, this is not the price at which all our milk is sold. In our company the amount of milk delivered and sold to homes constitutes well under two-thirds of the total. The remainder is sold to various types of purchaser. We have followed the policy of charging minimum prices consistent with costs on all milk supplied, for example, to charitable institutions, hospitals and schools. Other purchasers include retail stores, restaurants, manufacturers and dealers. From all these groups we obtain considerably less than the individual consumer pays, the price to each being determined largely by the quantity taken, except for charitable institutions, hosptials and schools to which we extend special consideration. Owing to this variety in the channels through which our milk is sold the average selling price is considerably less than nine cents a quart. In judging the extent of the spread this aspect of the question should be clearly borne in mind.

By Mr. Tummon:

Q. Mr. Hogg, I think really that you are to be congratulated upon the statement which you have just submitted to the committee. I think it is the fullest statement we have had yet, and you deserve to be congratulated on that.

Now, what the committee are very much interested in is the price paid to the producer, the price that the distributor receives for it, and the spread in between, Mr. Hogg. Now, perhaps, some of the questions that I am going to ask are going to try to get that, if we can. You spoke about the association price. Will you tell the committee how that price is arrived at; that is, you meet with the Producers' Association, I presume?—A. Yes, that is the way we do it. Would you like me to answer that?

Q. Yes.—A. At the call of the producers, we meet with them in session, and they explain their side of the case, if it is they who are making a demand for an increased price, either owing to shortage of milk or to a rise in the dairy products market, or for any other reasons that may affect the price of milk. On the other hand, if we find the price is too high and that we are suffering through competition, we will ask for a meeting with the producers and explain our troubles to them, and up to the present time we have always been able to come to a fair agreement. Does that answer your question?

Q. Yes, pretty much, only I would like to know, Mr. Hogg, what body of producers do you meet with; is there just one?

The WITNESS: We have always met with the one. There is the president and the board of directors, and we meet with them. They come to Montreal and we meet with them there.

Q. That would be the Montreal Milk Producers' Association?—A. The Montreal Milk Producers' Association.

Q. I see. Now, before these meetings are held, when you know there is a meeting to be held, do the distributors get together at all and agree on about what they are prepared to give to the producers?—A. Well, Mr. Tummon, I want to say this to you, there are something over 400 dealers in our city, there are four companies of us who are trying to maintain a high class trade, and we have always been looked to to lead the way. It is with us that they always deal. We sit in. There might be quite a big gathering, Mr. Tummon, but the Milk Producers' Association, sir, all seem to be quite satisfied if the four companies will give their word. They feel that they are perfectly safe, and we have never yet broken our word to the Producers' Association without consulting them.

By the Chairman:

Q. Who are those four companies? Will you give us that?—A. Yes; the Borden Milk Company, J. J. Jubert Company, the Elmhurst Company and the Guaranteed Pure Milk Company.

By Mr. Tummon:

Q. Are the Borden Company and the Jubert Company the same company? —A. No, they are separate companies.

Q. Now, you spoke about 400 dealers. What you meant by 400 dealers, I presume Mr. Hogg, was those who were distributing milk?—A. Exactly.

Q. Not those who have pasteurizing plants?—A. No, there is a lot of them that buy their milk from smaller pasteurizing plants.

Q. Yes. Now then, I presume that perhaps these four companies have an idea before they go to that meeting about what they are prepared to pay?—A. Well, Mr. Tummon, to be quite frank with you, we are all tied up in one bundle, and if there is to be a demand made on us, we certainly compare notes.

Q. Yes, and no doubt the other fellows, the producers, do also.—A. The producers do the same thing, yes.

Q. Now, could you tell the committee, Mr. Hogg, what percentage of the milk purchased by your company in 1932 was paid for at association prices?

The CHAIRMAN: He made that statement here.

The WITNESS: Well Mr. Tummon, we paid for it all at the association price, about 11·9 per cent.

Q. 11·9 per cent, that would make 89—.—A. Here, I have it here, 88·1 per cent was sold as fluid milk.

Q. As fluid milk, that was paid for at association price?—A. That was paid for at association price.

Q. All right. Now then, you really paid for some of that, a little more than association price, as I understand from your statement?—A. In 1932, Mr. Tummon, we paid in net premium, $14,781.76; that was above the association price.

Q. That would be the average to the 88 per cent?—A. No, the average there on the milk, surplus and all.

Q. Surplus and all?—A. Oh, yes, that is the average there on all.

Q. I see. Now, Mr. Hogg, I think it would be of interest for the committee if you would explain to the committee why you pay a premium—you are not compelled to pay a premium are you?—A. No, Mr. Tummon, we are not compelled to pay a premium. But, gentlemen, speaking for our company, I was never satisfied in selling an article that was only medium. We were catering to a high class trade, and the best milk that we can secure, sir, is none too good for our trade. I think that answers the question.

Q. Then, your sole object in paying a premium, was to raise the standard of milk, or to raise the quality of the milk?—A. In the old days, Mr. Tummon, before we started that, we were getting far too much low testing milk, so when we started paying on the test, we were able to weed out the poor test, and keep taking on those who had high testing milk; and I think in my notes I told you that our milk during 1932 averaged for the whole year almost 3·7 per cent—it was a small fraction under that, I think it was 3·69, do you see?

Q. Yes, well, and then that averaged milk of 3·7, we will say?—A. Yes.

Q. Or 3·69. You deliver that milk to the consumer—A. Just as we get it.

Q. Just as you get it, all right. Now then, that left a percentage— —A. A what, sir?

Q. After you have your percentage of the total milk that you received during 1932 for direct delivery, that left you about 11 per cent surplus?—A. It was 11·9 of surplus milk.

Q. Surplus milk, and you told us in your report how you arrived at that surplus milk?—A. Yes, that is how we arrived at it.

Q. At the end of the month if you have more— —A. It was divided pro rata over all shipments.

Q. Yes, all right; now that was 11·9. I think in justice to Mr. Hogg, since other reports have been filed, it is no more than fair that he should produce, as we had from the others, milk statements to farmers; and I have a number here. Mr. Hogg, I think you will identify them as coming from yourself?—A. That is from ourselves.

Q. All right, will you let me have them?—A. All right.

Q. Now, this is during the different months, from one of Mr. Hogg's shippers.

The CHAIRMAN: What is the year?

Mr. TUMMON: 1932.

By Mr. Tummon:

Q. The total number of pounds: December, 1932, 5,523 pounds of milk, 663 surplus; and 4,516 pounds of milk in November, and no surplus?—A. Well, milk was scarce at that time.

Q. Yes. October, 5,133 pounds of milk, 359 surplus; September, 4,849 pounds of milk, 339 pounds surplus; and so on right through the year. We come to August, 4,670 pounds of milk, 162 pounds surplus. I think, I say, in justice to Mr. Hogg, that should be brought out. Now, can you tell us, Mr. Hogg, what the average cost per hundred pounds of milk was, for all milk other than surplus, in the year 1932, delivered at your factory?—A. Well, I haven't got that, Mr. Tummon, but the average price paid the producers for 1932, for all milk including surplus, was $1.46 a hundred.

Q. $1.46?—A. A hundred, yes, that included the surplus milk.

Q. I would like, if it is possible at all, to get at the average price per hundred pounds of the association price milk, and the average price per hundred pounds of the surplus, if we could?—A. What was it? You would like the price paid to producers.

Q. The price paid to producers per one hundred pounds on all milk other than surplus in the year 1932?—A. Well, here is what I have got, I will give you this—you know gentlemen, I only got my instructions to come here yesterday.

Q. That is all right?—A. And we had to do some work to get this out.

Q. I understand that?—A. I am going to quote, this is on 40 quarts—40 quarts, 102½ pounds, and that is how this is made up. In January we paid $1.77 a hundred, in February, $1.77, in March, $1.77; April 1 to 15, $1.77; April 16 to 30, $1.41; May, $1.41; June, $1.44; July, $1.41; August, $1.44; September, $1.44; October, $1.48; November, $1.48, and December, $1.73.

Q. Well, Mr. Hogg, you could arrange, I think, to file with the committee later the average price per hundred pounds for all milk other than surplus delivered at your factory in 1932?—A. If you will allow me I will be glad to furnish it.

Q. Thank you, sir. Then, we will also do this—.—A. Now, one moment, just let me get that.

Q. —well, the clerk will have it?—A. All right.

Q. Could you also furnish the committee with the average cost per hundred pounds of surplus milk delivered at your factory in 1930?—A. I think I could, I am just a little hazy; I think we can all right enough.

Q. You have your total quantity of milk, you know how much is surplus and how much association?—A. All right, we will be glad to do that.

Q. Could you give the committee any idea what the net price per quart the milk cost you at association prices for 1932?—A. I think so.

Q. Now, Mr. Hogg, what I am coming at is this—.—A. You want to get that by the quart.

Q. I should like to get it by the quart because you sell it by the quart?—A. Well, I haven't got that by the quart, I can give it to you—what the actual price was per hundred pounds.

Q. Actual price per hundredweight?—A. What the actual cost was per hundredweight each month.

Q. All right, that was $1.46?—A. Yes, it cost—the average price paid the producer was $1.46 per hundredweight.

Q. $1.46 per hundredweight. Now, that would be, how many quarts, roughly?—A. Well, you see there are 38·83 quarts in a hundred pounds of milk.

Q. That is 38¾, somewhere around that?—A. Yes, practically; but I will be glad to furnish it.

The CHAIRMAN: That should be furnished.

By Mr. Tummon:

Q. Was it $1.46 f.o.b. Montreal?—A. This price I quoted you? Yes, sir.

Q. The farmer's price would be that price less the transportation charges?—A. Oh, no, we don't pay the transportation charges. I am giving you what we pay for it.

Q. Yes, I see, the producer's price would be \$1.46 less transportation?—A. Yes, less transportation.

Q. That would be the net price?—A. That is right.

Mr. STIRLING: That would make about 3·65 cents a quart.

By Mr. Tummon:

Q. You say 3·65 a quart?—A. Now, then, my friend here, Mr. Stirling tells me that that figures out about 3·65 cents per quart that it cost you?—A. Yes.

Q. In Montreal?—A. Yes.

Q. Now, then, you dispose of the association price milk to the consumer as fluid milk, don't you?—A. Yes, it comes under five heads. There is the retail, then there are the stores, then there is charity, then there is the restaurant, and then there is the manufacturer.

Q. All right, now, can you give us the average price per quart that you sold that milk for in 1932?—A. Well, gentlemen, I could tell you what our net spread was for both years. For 1931 our spread was 4·04 cents per quart, and for 1932 it was 4·52 cents per quart.

Q. You can't tell us, then, the average price that you disposed of the milk per quart for?—A. Well, gentlemen, it could be very easily figured out. I can give you the different amounts. For instance, for our retail milk we got 11 cents for five months in 1932 and 10 cents for the rest of the months; that is retailed milk.

Q. Yes?—A. For stores we got 9 cents for five months and 8 cents for the balance of the year; for charity we got 1 month at 10 cents, two at 9 cents; eight at 8 cents and two at 7 cents a quart. Then for restaurants we got three months at 7 cents and the balance at $6\frac{1}{4}$ cents a quart. For manufacturing, for three months we got $5\frac{3}{4}$ cents a quart and for the balance of the year 5 cents a quart.

Q. The average, according to your figures, then, the average cost was 3·65; and for 1932 your spread was—.—A. Was 4·52 cents, a little over $4\frac{1}{2}$ cents.

Q. Then, you would be selling it at an average price of 8·17 approximately. I would like, if we could at all, to arrive at a possible price per quart of transportation charges. I would like to get, Mr. Hogg, if I could, the actual spread between what the farmer or the producer receives net, and the average price that the consumer pays; and then I want to find out how that spread is built up?—A. Well, I will give you that, gentlemen. Taking our cost, the cost of milk to us in 1933 was 43·1 per cent, that is what it cost us; and in 1932 it cost us 51·1 per cent, that is what the milk cost us.

By the Chairman:

Q. Percentage of what?

By Mr. Tummon:

Q. That was per cent on a hundred pounds?—A. Yes, on a hundred pounds.

Q. Of the total?—A. Here again, Mr. Tummon, I think I have become a little mixed. Our spread in 1932 was 4·339 cents and in 1931 it was 4·773 cents.

Q. In 1931?—A. Yes, 4·773, almost $4\frac{3}{4}$ cents a hundred in 1931, and 4·33 in 1932.

By the Chairman:

Q. How do you account for the difference in your former figures?—A. What is that, sir?

Q. How do you account for the difference in your former figures, perhaps one includes surplus milk and the other does not?—A. Well, now, Mr. Chairman, I am not myself an accountant. I was only a farmer to begin with, and I have just waded up through the years; but in any case I could very easily get that for you.

Q. I think you will find the one includes surplus milk and the other does not?—A. What did you say?

Q. I think you will find the one includes surplus milk and the other does not?—A. Well, that may be. This thing was made up in such a hurry; I only got that order yesterday at eleven.

By Mr. Tummon:

Q. Yes, I understand that, Mr. Hogg. That is absolutely right. Now listen, Mr. Hogg, I would like to establish definitely for the information of the committee the actual spread in what the milk, which you might call association milk, costs; the spread per quart, and the average price that the consumer pays; the spread between these two?—A. Well, that is what it is, for 1932 it was 4·33.

Q. Yes, but that is not per quart?—A. Yes, that is per quart; that is our spread per quart.

Q. Per quart?—A. 4·33.

Q. Now, then, that figures out how much? That would be 7·99, and I thought from the figures that you read out that that meant the price that you received per quart for your milk?—A. I didn't catch that, sir.

Q. I say, from the figures that you ran over, the figure you received for your milk from the different sources to which it went, that that looked to be rather a lower average?—A. No, I will just give you that, wait a moment. Here are the percentages—60 per cent retail, 4 per cent to stores, 1 per cent to charity, 10 per cent to restaurants and 25 per cent for manufacturing.

Q. Now, then, that is a very good point; let us take these items one by one. You say that 60 per cent went to retail?—A. Sixty per cent, yes.

Q. Have you the average price per quart that that 60 per cent went at?—A. Yes, in this report here.

Q. The average price?—A. I tell you it ran from 6·58 to 6·30, it is all over 6 cents.

The CHAIRMAN: The retail price.

The WITNESS: It would be an average of 6½ cents for retail.

The CHAIRMAN: Is that not the spread?

Mr. TUMMON: No, no.

The WITNESS: That is the spread on the retail.

By Mr. Tummon:

Q. All right. What is the next one?—A. The stores.

The CHAIRMAN: We should get that right, Mr. Tummon.

By Mr. Tummon:

Q. Is that 6 cents the spread?—A. Here it is, all the different months: In January we had 6·58 spread on retail; the same in February, the same in March, the same in April and in May—no, from April 16th our spread was 6·48; May, 6·48; June, 6·40; July, 6·48; August, 6·40; September, 6·40; October, 6·30; November, 6·30, and December, 6·68.

Q. Now, then, your spread—.—A. On retail milk.

Q. For retail milk, which constituted 60 per cent, say, was all over 6 cents per quart?—A. It was, yes.

Q. Yes. Now, then, what is the next item?—A. The stores.

Q. The stores, all right?—A. Well, that runs at practically 4½ cents per quart.

Q. Spread?—A. That is spread, yes.

Q. What percentage went into that?—A. Four per cent.

Q. Now, then, the next item?—A. Is charity.

Q. Yes?—A. One per cent.

Q. And the spread?—A. The spread on that was 5·58 in January, 4·58 February and March, in April it was 3·58, and then 4·58; 4·48; 4·40; 4·48; 4·40; 3·30; 3·30 and 3·68.

Q. That was the average. What was the other item?—A. Restaurants—there was 10 per cent to restaurants.

Q. Have you the spread on that?—A. Yes. We have the spread.

Q. The average spread?—A. Well, it amounts to 2·5 cents per quart.

Q. I see. Take the next one?—A. Manufacturing.

Q. Yes.—A. Well, that runs from 1·33 a quart down to ·68 a quart—a little over, not quite three-quarters of a cent per quart.

Q. Do you make any profit on these different lines?—A. We have only got the profits on the whole business.

By the Chairman:

Q. You would not say that you are losing money on any of these different things?—A. Well, we have got to compete.

Q. That is scarcely an answer to the question?—A. Well, what would you like.

Q. I would like you to say yes or no, that you have made profit on each and every one of these lines?—A. Well, all we know is what we had on our whole outfit.

By Mr. Tummon:

Q. Well now, Mr. Hogg, the committee would like to know what caused the spread?—A. What caused the spread?

Q. Now, there are certain costs, I presume, in between the producer and the consumer which are included in that spread?—A. Well, if you take a hundred as a unit—

Q. A hundred pounds of milk?—A. Well—or, take the hundred that I will give, the percentages.

Q. All right?—A. The cost of the products was 47·21 per cent, our dairy charges were—

Q. Now, the cost of the product: is that the cost of the product to you after the producer has paid the transportation charges?—A. Oh yes, because we don't enter into that.

Q. That is f.o.b. your plant?—A. Yes that is f.o.b. our railway station. The dairy charges are 7·5 per cent; delivery charges are 18·8 per cent; general expense, administration, bond interests, taxes and licences amount to 11·6 per cent; depreciation and bad debts are 5·6 per cent.

Q. That covers it?—A. That covers it, yes.

Q. Now, let us take your first item again?—A. Of course, if you are going to give it up to a hundred, gentlemen, I will have to tell you that the income tax was 1·4 per cent and our gross was 7·7 per cent on our turnover.

Q. That is your gross profits?—A. Profits, yes.

Q. Now, then, let us take each of these items, Mr. Hogg?—A. No, no, not our gross; our net profit was 7·7 per cent, that is different.

Q. Yes. Now then, take the first item which you gave us.—A. The cost of the product.

Q. We know pretty well what that is, what is the next?—A. Dairy charges.

Q. Will you explain to the committee what that covers?—A. Well, the dairy charges are all the costs in connection with the milk from the moment it enters the doors of our dairy.

Q. It covers pasteurization?—A. Pasteurization and labour.

Q. And bottling?—A. Bottling.

Q. And cost of bottles?—A. Cost of bottles—everything entailed within the dairy.

Q. Now, can you give the committee any idea what the cost of pasteurization is per hundred pounds, or quarts or gallons?—A. Well, no, because that is all in our dairy charges.

Q. We had evidence the other day, Mr. Hogg, if my memory serves me right, that pasteurization cost approximately five or six cents a gallon?—A. Well, gentlemen, I have not the figures, but I know it does not amount to anything like that.

Q. Do you, that is all we want. Now, then, Mr. Hogg, I wonder if you could tell us—you know about how many quarts you handle—I wonder if you could furnish the committee through the chairman with an idea of just what pasteurization costs per quart, per hundred or per gallon?—A. I want to tell you, gentlemen, that our business has always been run as practically a private enterprise, and we, perhaps, have not got details as some of the companies that are differently financed than ours. I, myself, have been there all the time. I live with the plant, and I know what is going on: but a great deal of our work, you know, is under the old system of rule of thumb, like we did when we were milking the cows.

Q. That is one reason why we would like to get that evidence?—A. I will try to get it.

Q. One reason we would like to get it, Mr. Hogg, is this, that from the time the milk leaves the producer and goes to your plant there are certain costs that are placed upon it as the result of hygiene and health regulations imposed by the city of Montreal, and we want to be sure that these things are not working to the detriment of the producer; that the producer must eventually pay for these things. That is what we are trying to get at. Now, if as the result of these regulations for health and suchlike—these regulations put into force by the city of Montreal—the producer has got to pay, we would like to know it?—A. Mr. Tummon, might I say this to you. You know, after all, just at the present time the world is suffering from over-production of dairy products, and one of our troubles is to keep the stuff out of the city. Take, for instance, things could be much better if we could get co-operation from the farmers themselves, but they do not co-operate. That is the trouble. We try. Here are four firms in Montreal, and I do not think I am speaking beside the mark when I say they have tried to stand up for a fair price for the farmer and make high standards; but our difficulty, gentlemen, is—I will tell you one case that came to my own knowledge: one of our own shippers, a man that ought to have known better—when we were not able to take his milk, a truck went out into the country last summer and he handed them the milk at 50 cents a hundred and sent it in to compete with us who were trying to pay him $1.35 a hundred. Now, you know, gentlemen, it is very hard for men that are trying to carry on a business as it should be carried on, and we feel very strongly about this, gentlemen, because, after all, these good farmers that we have trained over thirty years, that have been with us, and who have brought themselves up to a high standard—they are suffering because these non-descripts come in and hand their goods away for nothing. You know it is impossible—we cannot make the river run up; and unless we can get some protection why we will have to slide with the others. It is impossible. We have a large amount of money invested in plant and equipment. My life work is there, and I want to tell you, gentlemen, I have never done anything in my life but work. I do not know how to play, which is unfortunate for me because I am looking towards the setting sun now. It is my soul. If you take me away from that dairy plant I do not know what to do with myself. These are the facts. When we have butter and cheese at the extremely low rates they are, if John Smith is sending his milk into the city and he is getting $1.35 delivered in the city and John Jones next door to him is only getting 50 cents, he says to himself, "what is the matter with me; why cannot I get mine into the city too" with the result that there is too much stuff getting into the market and it has got into undesirable hands.

Q. I think there is a lot to what you say?—A. I feel strongly about it. I am giving it to you a little strong.

Q. What I was getting at was this. You know, Mr. Hogg, in regard to this investigation, in so far as I am concerned and so far as the committee are concerned, it is not a case of attempting to persecute you or the milk distributors?—A. You cannot do us anything but good, gentlemen.

Q. All right. Now, a certain price is being charged the consumer. You must conform to certain regulations in regard to hygiene, such as pasteurization and the like?—A. They are extremely strict.

Q. And those regulations are extremely strict. Now, if you have that down to the cost per quart, I think the consumer should realize that when they are paying so much for milk they are paying for those health regulations that are imposed and that it is not the producer or even not yourself that is imposing them. If you could get it into percentages, in most cases the consumers will grasp it, and if you put it down to quarts, showing what the consumer is buying, he will grasp the significance of the facts?—A. I may say to you, gentlemen, that our figures show that there is $2\frac{1}{2}$ per cent of the milk lost between the time we get it and it goes to the consumer. There is breakage, leakage and spillage.

Q. Now, we were at the dairy costs. What is the next cost?—A. Delivery charges 18·8 per cent.

Q. That is the highest charge of all—the most expensive in connection with the trade?—A. Yes. I might say to you, gentlemen, that this business we are doing is an old family trade, and I want to tell you, gentlemen, that competition is so keen that it is a matter of impossibility to get maximum loads on your waggon. If Mrs. Smith wants her milk there at 7 o'clock, don't you be after 7 o'clock or else somebody else is there. That is all. That is how keen competition is. We have even had some customers who had to have it within a half hour, and you must not be after a certain hour; and all these things we have got to comply with if we are going to hold our trade. And, you know, in this house to house delivery people insist that their milk is there for breakfast, and I do not need to tell you gentlemen—you know there is nothing upsets the household arrangements faster than to have a man a little on edge because he wants to get to business and the milkman is not there to give him his stuff. I think you all know that. We are just having a little fun in between now.

Q. We had evidence the other day, Mr. Hogg, that it cost 3 cents a quart to deliver a quart of milk to a one-quart family?—A. I must confess, gentlemen, that I have not got it down as far as that. I cannot get it; it is something I do not know.

By Mr. Spotton:

Q. I do not think anybody can get it down better than an average?—A. I cannot do that.

By Mr. Tummon:

Q. I would like, and I think the committee would like to have an average per quart if you can give that to us on these different items. We will give you time to try to figure it out?—A. I tell you, gentlemen, in a general way under the conditions we are working under at the present time it takes what we are getting now if we are going to do business on the plane that it has been for a number of years. I do not think any of us want to go back to the old rough and ready methods that were in force 25 or 30 years ago; I do not think we do.

Colonel MULLINS: Why? You had better milk.

Mr. TUMMON: If you could proceed along the line I have tried to direct you to.

By Mr. Bertrand:

Q. You said a moment ago that the price was fixed as per agreement made between the association and the distributors?—A. Yes.

Q. Have you got a base on which you are fixing those prices?—A. I told you that we have been doing that—at least I have for so many years. If you remember, during the war, at the time when dairy products were rising so fast and we who were in the fluid milk industry were running short of supplies for the reason that these condensing plants and those who were putting up concentrated milk were furnishing it on orders that gave them a cost plus basis—at that time there was a great outcry among the consumers that we were robbing them, and the government of the day at that time appointed a commission to investigate it, and they came to Montreal to investigate it at that time. I think—I am not saying this in any egotistical spirit—but we were the only firm at that time that could give the details they wanted. It was old Judge Robson, I think, at Winnipeg who was chairman of the commission. When we submitted our statement at that time, in looking it over he said that they were going to submit it to the government auditors, but he made the remark at that time that if the facts as we showed them were true the investigation should be on the other side. Well, we heard nothing more about it, but it was agreed that we should have a certain spread; that the farmers were getting very high prices; and in order to carry on our business and to hold our men we were allowed about the spread that you see we are running on for retail trade now, and that spread has carried on through all the years until this year. It is somewhat lower now. I do not know whether that answers your question. Let me continue. Since that time, in meeting with the producers, if the producers demanded 4 cents a gallon more and we agreed to that, it went up to the consumer 4 cents, and if they put it back we dropped it to the consumer 4 cents; but until this year our spread has been almost stationary.

Q. Consequently, I would think then that you take the possible selling price to the consumer and deduct your spread to fix the price to the producer?—A. Yes, sir; whichever way it moves the producer either gets it or it is taken from him.

Q. And you take it from the possibility of the selling price, deduct your spread, and give the balance to the producer?—A. That is what happens.

Q. Is there a possibility also that you are taking into consideration the price of milk to be manufactured into butter and cheese in fixing your prices?—A. No, we do not.

Q. You simply take it on the possibility of your sales price, less your spread?—A. Any surplus milk we get is paid for at surplus price.

Q. And since wartime you say you have been keeping about the same spread?—A. Pretty much, yes.

Q. During the war were not your expenses much higher than they are to-day?—A. No. They are, perhaps, fully higher than they were then.

Q. How do you account for that?—A. The Health Boards of the city have made increased demands. We have got to employ more help than we did at that time. We have got to have finer equipment than we had at that time, and all those things go into the cost of doing business.

By the Chairman:

Q. Is there more competition to-day?—A. In the milk business?

Q. Yes?—A. Yes, I think, perhaps, fully as much as I have ever known.

By Mr. Bertrand:

Q. Consequently, you really think to-day that the spread of 6 cents per quart as given to you for milk to be used as fluid milk is not an excessive spread?—A. No. It is not an excessive spread; no.

Q. It appears to be to the producers when they are paid about 3½ cents for their product and they have to take the transportation charges out of that. You are getting 6½ cents as a spread just to deliver that milk. Don't you think that that sounds funny?—A. If we got milk given to us for nothing we would still require about 6 cents a quart to carry our business on under present conditions.

By Mr. Tummon:

Q. About 6 cents per quart to deliver that milk by your waggons?—A. To the retail customers.

Q. But your general spread was how much?—A. 4·33.

By Mr. Bertrand:

Q. Now, may I ask if you have anything to suggest that could replace the present excessive delivery system?—A. Really, I have not. Since humans are constituted as they are, if you attempt to say to Mrs. Jones, "you will take your milk from such and such a man; we are not going to allow any other rigs on the street"—just that moment you run into trouble. As long as there is freedom in trade they are all right, but you attempt to tell the ladies where they are to get their milk and there will be trouble.

By Mr. Spotton:

Q. You must be a married man?—A. A long time.

By Mr. Bertrand:

Q. Do you manufacture butter?—A. In a small way.

Q. This butter is sold with your milk on the delivery waggons, is it not?—A. Yes. Any we sell is sold on the waggons.

Q. Is that charged to the distribution of milk?—A. Yes. It is all charged to the carrying on of our business.

Q. Of milk itself?—A. It is charged to the general carrying-on of the business. As I have been explaining to you, we have only been selling butter for two or three years, and that in a very small way, but we have simply to carry on our business as a whole.

Q. Would you be kind enough to supply the committee with a financial statement of the past year of your company?—A. Yes, if they want it, they can have a financial statement.

Q. Of course, I really think the committee does want it.

By Mr. Stirling:

Q. I understand that about 60 per cent of the business is to the retail trade?—A. That is right, sir.

Q. Is the milk all delivered in bottles?—A. Yes.

Q. What number of bottles have you in your business at any one time?—A. How many?

Q. Yes?—A. My gracious, I could not tell you that—thousands and thousands and thousands, and thousands and thousands through the city as well.

Q. What I am getting at is this: what do you have to set aside annually to replace losses?—A. Well, gentlemen, up until two years ago our bottle bill—I am speaking from memory, giving you approximate prices—up to within a year or two ago our bottle bill ran from $23,000 to $25,000 per year for glass. A year and a half ago we moved into a new plant with more modern equipment, and we have cut our bottle bill very considerably—handled on different kind of conveyors. In the old days we ran them on rollers, you know, and one case would hit the other, and something would go.

Q. Can you give us an average cost of replacement per bottle? Do you buy them by the gross?—A. No; but I can tell you our total bill for 1932 ran about $16,000.

Q. What total number of quarts did you deliver to the retail trade?—A. We sold in quarts in 1932, 11,778,813 quarts.

By Mr. Pickel:

Q. Your company is chartered?—A. Yes.

Q. Has it a provincial charter?—A. No, dominion.

Q. How many directors have you?—A. Five.

Q. Who are they?—A. There is myself as president, Mrs. A. Trenholme, vice-president, my wife as a director, my son is a director and my nephew is a director.

Q. Is much of the stock held outside of the directors?—A. No, sir.

Q. What percentage of the stock do you hold?—A. Well, I should say roughly speaking I own 52 per cent.

Q. Do you draw a salary, Mr. Hogg?—A. I do, yes.

Q. How much?—A. Well, Mr. Chairman, I would like to ask that I should not have to declare what my salary is. That is my private affair. I think I ought to have some protection as far as that is concerned. I am willing to furnish anything that the committee ought to have, but to say that my salary should be blazened from one end of the country to the other is hardly fair. It is hardly fair. I do not think any of you gentlemen would like that. I may tell you that I am not drawing any exorbitant salary.

Q. Have you a vice-president of the company?—A. Yes, Mrs. Trenholme is vice-president.

Q. Who is the secretary?—A. James Low.

Mr. SPOTTON: Mr. Chairman, I think you should give us a ruling on that. Salaries go into overhead and the spread, and we are here for information on behalf of the citizens of Canada, and I think it is a legitimate question. I would ask for a ruling.

By Mr. Pickel:

Q. I would not insist upon an answer to that question. Mr. Hogg has given us very good evidence?—A. I might say to you, gentlemen, that if you want it privately I will give you any information you want privately.

Q. We do not want to interfere unduly with private affairs?—A. I am sure you do not.

By Mr. Spotton:

Q. You will give that to the chairman?—A. I will, yes.

By Mr. Pickel:

Q. I would rather infer from what evidence you have given us that you rather agree with the idea that an intelligent control of the supply and the distribution of milk amongst the legitimate and large companies of Montreal would result in better—would give better results to the producer?—A. Well, that would be ideal. You know, it would not come with very good grace from me to offer any direct opinion on that.

Q. But your idea is really that an intelligent co-operation between producer and distributor would be better?—A. It would move it onto a higher plane.

Q. There is no dairy in connection with your plant?—A. Yes, sir, we have a dairy.

Q. How many cows have you?—A. I think I have about 70 altogether.

Q. Mr. Hogg, if you depended upon a dairy to-day for your income and you received only the price that the producer receives, would you be running a dairy?—A. I would not have as much as would have brought me to Ottawa.

Q. What is that?—A. I will say this to you. I have a great deal of joy and delight out of it. I will say that for it.

Q. And being your own distributor, you get a profit?—A. Well, I do not know whether I do or not; but I have a lot of beautiful stuff. We all have our little weaknesses, and that is mine.

Q. Do you penalize sub-standard milk?—A. Yes, we do; but we have never been very severe on that. The figures I gave you were after the penalizing. Whatever they were they were deducted. We did pay into premiums $14,781.76.

Q. For super-standard milk?—A. Yes.

Q. Buttermilk?—A. Yes, sir.

Q. What do you get for that?—A. We are getting 8 cents a quart.

Q. Do you manufacture all your own buttermilk?—A. All of it; I do not import any—none whatever.

Q. Does the farmer receive any compensation for buttermilk?—A. No. We make our buttermilk out of whole milk.

By the Chairman:

Q. Out of surplus milk?—A. No, sir; not surplus milk. Let that be understood. We play the game. There is no surplus milk goes into buttermilk.

By Mr. Pickel:

Q. What is the cost of your buttermilk, approximately?—A. I tell you, gentlemen, our buttermilk is made out of milk testing 2 per cent. That is what it is made from.

Q. That is, you reduce the milk to that?—A. Yes, to 2 per cent.

Q. And what is the charge for buttermilk—you said 8 cents?—A. Yes. That is for retail buttermilk.

Q. Do you manufacture ice-cream?—A. Well, we have another company that manufactures ice-cream.

Q. A subsidiary company?—A. Yes.

Q. Now, Mr. Hogg, you make the statement that you are delivering your milk under five heads for whole milk distribution. There is the retail?—A. Retail, stores, charity, restaurants and manufacturers.

Q. Now, what about charity milk? Why do you charge more for charity milk than for restaurant milk—A. Because it is delivered by our regular retail waggons to the homes of the people through charitable organizations.

Q. Twenty-five per cent of your milk is sold for manufacturing purposes?—A. It is, yes.

Q. What for? What is that milk made into?—A. There is a large quantity made into chocolate bars—a very large quantity. Then there is a large quantity used in the ice-cream manufacturing business.

By the Chairman:

Q. Is that all pasteurized?—A. All pasteurized, yes.

By Mr. Pickel:

Q. What was the price of that?—A. Well, you see, we give it about—one store 1·33 cents a quart, and then down, and in December we got less than three-quarters of a cent a quart.

Q. That is the spread?—A. The spread.

Q. What is the amount of your income tax?—A. Well, gentlemen, you have to get that from the Income Tax office.

Q. They won't give it to us?—A. They won't give it to you?

By the Chairman:

Q. I think Mr. Pickel asked his questions in regard to your salary because of a suspicion that some of the profits might be absorbed in salary to yourself and the other officials. Would you state that you are not covering up any profits in that way?—A. Quite positively, sir. We are not covering up any profits in salaries. I think I can satisfy any fair mind on the salary question.

Q. Would it not be wise for you to get that information regarding yourself and the other directors, how much time they are devoting to the company, and while we might not publish it in the report, it would be information for the committee to know and understand?—A. I would be glad to give that to you.

Q. Now, Mr. Hogg, may I ask you a question or two. You deliver a considerable amount of sweet cream?—A. Yes, we do.

Q. And it is delivered from your waggons, as you retail milk?—A. A lot of it is.

Q. I suppose you also deliver buttermilk from these waggons?—A. Yes.

Q. And some butter?—A. And some butter.

Q. Well, now, you say that your delivery charges on milk are approximately 18 per cent of the spread?—A. No, I said I was giving you the percentage on our operations as a whole. I did not just give that on milk, I haven't got it on milk, because we have not segregated it.

Q. You have not segregated your delivery charges on the different items?—A. No, just on the whole business.

Q. On the other hand, you are not charging the total cost of delivery up to fluid milk alone?—A. No, I am charging the cost up to the whole business.

Q. I see. You don't separate nearly enough surplus milk to provide you with sufficient sweet cream for the trade?—A. No, we buy that.

Q. Where do you get your sweet cream?—A. Oh, from the various sections, you know.

Q. Do you buy from farmers?—A. Do we buy from farmers, yes.

Q. Have you the same regulations and sanitary requirements for your sweet cream as you have for milk?—A. Oh, yes.

Q. The sanitary regulations and requirements on the two are the same?—A. Yes.

Q. So you buy no sweet cream from farmers except those with inspected stables—A. Yes, for sweet cream, yes.

By Mr. Mullin:

Q. In the old days you bought cows?—A. I did, yes.

Q. At Point St. Charles and Hochelaga?—A. I did, I didn't know you knew me.

Q. I want you to tell the committee, is the milk Montreal is getting to-day any better than it was in those old days; is it just as good?—A. In my opinion it is very much safer.

Q. It is what?—A. Very much safer. In the old days we had epidemics of milk borne diseases that we know nothing about to-day.

Q. Coming from a good healthy cow?—A. Well, it is not the healthy cow that affects the milk. I have one case in mind where they had scarlet fever on a farm, and do you know that that spread through the milk route that I speak of with tremendous rapidity. I can remember how frightened I was myself at that time when I knew about it. I knew of another case, and very likely you knew of that too—that was the Tates of St. Laurent; do you remember the place? They were over at the back of the mountain. That is now long ago—well, those people were looked on as having one of the finest milk routes in Montreal—I well remember the day, when they had an epidemic of typhoid fever that ran through that line of customers. Well, there were some parents in

Montreal that were ready to shoot him, they lost their children, and one family an only son. The names of those people were synonymous with a fine product and in less than a week they were out of business. I tell you, gentlemen, that if we haven't the protection of pasteurized milk I would not want to be in the dairy industry.

Q. Well, I heard a professor in the Fort Gary hotel in Winnipeg—I want to mention that— —A. I am mighty glad to hear it.

Q. He mentioned to that organization, I do not recollect whether you were there or not, that they had fed three calves out at the agricultural college, and the three calves died from pasteurized milk?—A. Well, I want to tell you that if you will come down to Montreal with me I will not show you three but I will show you forty of the nicest young heifers you ever looked at that were fed on pasteurized milk, and they grow like smoke on it.

Q. From my own personal experience with pasteurized milk, and I have quite a lot to do with it, I have fed it to calves and the calves bloat and we had to tap them; and I don't know about your statement right there; I challenge that statement?—A. Well, you come with me and I will show you.

Q. Just a moment, you may do that, but with all the machinery that this milk is being put through I can't get the idea that it is as good as the old milk that came from the old cows?—A. Here is a product that is raised on it (referring to Mr. Motherwell).

Q. We ought to have the old cow's milk?—A. I am one who was raised on it myself.

Q. I know, well, is there anything wrong with you and I?—A. No.

Q. Then, that is all the evidence we want?—A. We were bred properly and we can stand a lot.

Q. You make buttermilk?—A. Yes, we do.

Q. What do you put in it?—A. We add buttermilk to it.

Q. I know, but what kind of a culture do you use?—A. We use buttermilk.

Q. Do you use no culture at all?—A. No, we just carry on the buttermilk. If you will allow me I will just read to you what I read before:—

> *Buttermilk.*—Our old fashioned churned buttermilk is made according to the standard methods taught in every dairy school in Canada and United States.
>
> Fresh, nearly whole milk is pasteurized, fresh buttermilk is added to the milk, which is allowed to sour.
>
> The soured milk is churned till it has the right consistency and cooled to 38°F. All the butter is left in the buttermilk.
>
> Buttermilk, produced in this manner, is much superior to the small churn buttermilk in that it is controlled from a sanitary standpoint, uniform in quality all the year through, richer in butterfat and does not whey off because it is not churned to the extreme.
>
> It is not a by-product but a real dairy product.

Q. There were witnesses here yesterday who told us that they cultured it, that they put some kind of a bug in it?—A. Some kind of a what?

Q. Some kind of a medical bug?—A. A bug?

Q. Yes, a bug?—A. Well, we don't deal in bugs.

Q. Yours must be an exceptional dairy. I thank you for the information.

By Mr. Tummon·

Q. Mr. Chairman, in regard to the question of pasteurization, it is very interesting, but it does seem to me that that is not the question which we have to deal with because if we are to undertake to decide the merits or demerits of pasteurization I think we could bring a lot of witnesses here on one side and just as many on the other. After all is said and done it is not the committee but the

province or the municipality which has the right to make regulations and to prescribe how milk is to be distributed in the different centres, and the distributors must comply with that. We have no control whatsoever.

Now, Mr. Chairman, may I ask a few questions, just a few more, and then I am through for the day as far as I am concerned. In regard to the distribution of milk how would you prefer that milk should be distributed to the consumer? —A. Would you repeat that, Mr. Tummon?

Q. Would you care to give an opinion as to the most suitable manner in which milk should be distributed to the consumer; that is, through stores, or is it more satisfactory delivered from the waggon to the consumer's door?—A. Well, it seems to me, Mr. Tummon, of course this may look a little bit—my judgment may be perhaps somewhat biased, but I only draw to your attention because—you take our waggons leaving our place, say, 3.30 in the morning and by 7 o'clock everybody's milk is at their doorstep whereas if it has got to stand around stores all day they can't surely get just as good a product as they would get if it is delivered as quickly as the modern dairy does it. Does that answer your question?

Q. That confirms pretty much the evidence that was given us by Dr. Hood here the other day?—A. I did not hear it.

Q. Now, then, there is another point in regard to the distribution of milk, the distribution of milk is probably one of the largest items in the spread between the producer and the consumer?—A. It is, yes.

Q. Now then, if a great deal of that milk is delivered through chain stores, or through retail stores, does not the cost of distribution—keeping your rigs on the road and your routes going, and your automobiles, whatever you have—does not that increase the cost of distribution to you?—A. Very much, Mr. Tummon, very much. A large part of our cost is in service to the public.

Q. Yes. Now then, we are interested as I said before in the spread between the producer and the consumer. Can you give the committee any suggestions as to how the spread between the producer and the consumer might be reduced? —A. I have some ideas, but in a practical way you know as long as we live in a democratic country such as we are in at the present time, you meet every kind of people, and you know the way we humans do. I might be delivering milk to you and satisfying you, but Mr. Motherwell here might not want to deal with me at all. Then you know if you both lived on the same street and if Mr. Motherwell had to deal with me because I was serving you, well, there would be something doing about it.

Q. Now then, do you think that you could reduce the cost of the distribution of milk in Montreal if the pasteurization plants did all the distributing? —A. If the what?

Q. If the pasteurization plants did all the distributing. As I understand it there are about 410 dealers in the city of Montreal—people who come in and get licences and then come to you and buy your product and go out and peddle it. Supposing that those who pasteurized were to distribute——A. They can't come to us and buy our product and go out and peddle it.

Q. You don't do that?—A. No, we won't do that; we won't supply small dealers.

By Mr. Gobeil:

Q. They go and buy somewhere else?—A. Yes.

Q. But you must compete with them?—A. Yes.

By Mr. Blair:

Q. In the city of Ottawa here the newspapers co-operate and one distributor looks after all the newspapers in the city?—A. I don't just get that.

Q. In the city of Ottawa the different newspapers co-operate and one distributor looks after the distribution of all the papers. I often wonder could

your men instead of having four or five carts chasing one another up and down the street, could you not co-operate and the same distributor distribute the various grades of milk from the various companies according to the wishes of the people?—A. I tell you, sir, that if you can point out to us a man that could bring that about his fortune would be made.

Q. It would help the farmer?—A. Yes, but how would they bring it about. You could not get the people to agree.

By the Chairman:

Q. You could not get the dairies to agree?—A. Eh?

Q. Do you mean the dairies?—A. But the people themselves would not have it.

Q. The consumers you mean?—A. The consumers would not have it.

By Mr. Blair:

Q. The consumer could ask for whatever milk he wished from the same waggons; the product of the different companies would be in the same waggon? —A. I must confess that it is beyond me. I cannot tell you.

By Mr. Pickel:

Q. What is the total amount of milk that you receive per year?—A. I haven't got it, I am sorry to say.

Q. Mr. Hogg, do you sell to the chain stores at all?—A. We do, yes.

Q. What price do you receive from them?—A. Seven cents a quart.

Q. Seven cents?—A. And they sell it at eight. I must say, gentlemen, in talking about the chain stores, we have always tried to have the chain stores selling at our price until this year, but there was one chain store that started making a leader out of milk and that demoralized the market pretty badly. The other chain stores, of which we serve one, came to us and they said: "We are suffering, these people are using this milk as a leader and they are taking people into their stores and selling them other goods, we must get cheaper milk." Well, I do not need to tell you gentlemen that the chain store business has become a great factor in business now, and we could not afford—first of all we said that we would not allow our milk to be sold in the stores for less than we were selling ourselves. Well, they said: "We have to get it even if we have to put in a plant of our own." Now, I consulted with some friends of mine who were over the line who had had a great deal of experience in that way, and they told us that we could not afford to fight with the chain stores; and very much against our will we finally had to agree to allow them to sell. They wanted milk that they might sell at 7 cents and compete with this other store. We said: "We will not give our milk to be sold at 7 cents." We have since agreed with them that we would sell it to them at 7 cents, they would sell it at 8, and we would reduce our price to nine, so that our loads should not slip from the waggons. That is the whole story, and that has been going on since the 1st of March, I think it is.

Q. You mentioned, Mr. Hogg, that one of these chain stores was using milk as a leader. What do you mean by that, what is the significance of the term?—A. Well, they were selling milk and cream at a very low price, and that had a tendency to bring people into their stores and they bought other stuff you know.

Q. That is, for advertising purposes?—A. Well, that is my opinion, yes.

Q. Your surplus milk is churned?—A. All of it.

By Mr. Wilson:

Q. What we are trying to get at here is the difference between the price paid the producer and that paid the consumer. As regards your drivers of waggons, are they bonded?—A. Well yes, they are bonded.

Q. Are they responsible say, for the milk tickets?—A. Yes, they are.

Q. And you pay a fair wage to them, I suppose?—A. Our men, sir, they get $20 a week, and four per cent on their sales, and speaking from memory—and I think I am about right, their average wage runs about $33 a week.

Q. Well, from your statement here about not having enough money.—A. I did not say I did not have enough money to get here—

Q. If you were getting only the profit the producer was getting to-day, you would not have had much to get here on.—A. What is that?

Q. If you only had as much money as the producers are getting, you would not have had much to get here on to-day.—A. You see, the trouble is, mine is long distance management—now, do you see?

Q. I see.—A. In the old days I was the first man in the stable in the morning, and I didn't run from it any, but now it is very often Sunday afternoon when I see them.

Q. Well, it was suggested I believe in Manitoba, where they have milk as a public utility, which is managed by a milk control board—would such a board do anything to assist the producer in getting a better price than he is getting to-day?—A. I tell you gentlemen, you are drawing opinions from me all the time, you know.

Q. That is what we want?—A. My opinion is that we have too much government in business. Now, that is my opinion; but I do think that if the farmers themselves would cooperate—

Q. I agree with you.—A. If they would co-operate, they could lift themselves up out of the slough.

Q. In other words, if the farmers formed an association and would stick?—A. Exactly.

Q. You are exactly right.—A. But the difficulty has been at least through my experience, that you might get three or four to get together, but John Smith was not in, and he says, "I will get back at you fellows, I'll sell my stuff cheaper."

Q. Yes, another one of your difficulties is bootleg milk. That is what has been hurting yourself and others who are in an honest business. Do you have to compete with bootleg milk to any great extent?—A. We have to compete with milk that comes in away below the association price, and I do not need to tell you gentlemen that we have suffered during this period because you know that people at the moment are lower-priced minded, if you know what that means; they all want something for less. Now, all we want to do, what we would like to do, would be to stand to the back of our farmers and move them up so that they can live properly and do things as they ought to do, but the difficulty is to do that.

By Mr. Spotton:

Q. Would not a little less spread help them?—A. Let me say this, as I told you before, I have been a long time in the business, I have seen milk dealers come and go in my time, in hundreds, and I want to tell you gentlemen that no man stays in business who does things that are unsound. There is only one thing to me now, only one way in which we can make our money if we are to make it, and that is in volume.

By Hon. Mr. Motherwell:

Q. May I ask Mr. Hogg if his plant is running to full capacity as a rule?—A. It is not Mr. Motherwell. I want to say to you that we have what we consider is the finest plant in Canada, and we went into it—I do not say this in an egotistical way, I have one whose opinion I value very highly, who has paid us that compliment—and we built that with the idea that there would be

a good increase in trade, but instead of that we got into it when things were beginning to slip. I don't mean to say we are bankrupt; but to say that we are working to capacity—we are not working to half capacity.

Q. Well, then, if you had a larger turnover of milk, you could do better by both your patrons, and possibly your own company?—A. Surely we could.

Q. Then, am I to conclude that the milk distributing business in Montreal is overdone very much the same as the milk deliveries from the farms is overdone?—A. Well, you see Mr. Motherwell, in times when there are so many people out of employment, this is what happens. A man is out of a job and the first thing you know he will get an old truck, or he will get a wagon, and he will get a licence for it, and he will go to one of these milk pasteurizing plants and he will buy milk from them and sell it for anything he can get. Anything he can get over and above cost is money for him, isn't it? Well, that is what is going on.

Q. Is the consumptive capacity of your patrons keeping up to the average? —A. Well, one of the difficulties is that we have such vast quantities of people on relief at the present time—that is where the difficulty is, and there is a lot of people that are not able to buy the quantities of milk that they did when times were good.

Q. I think you said a moment ago that there was too much milk coming at present on the Montreal market?—A. Yes.

Q. Well, that is pretty much the same with all farm commodities.—A. I think so.

Q. However, that may be, there are, I think, too many distributors to-day in the milk business?—A. That does not only apply to milk.

Q. To have a fair turnover and make a fair profit and do justice to their consumers at both ends; and your justification for doing that is that there are so many people out of work and you have got to give them something to do?—A. Exactly.

Q. In other words, if you could double your business, you could keep up the quality of your milk and still give more to the farmers, couldn't you?—A. Surely.

Q. Then, how are you going to double your business except by reducing the number of people engaged in it?—A. You have got far more capacity than I have. If you would give me the secret, I will try to work it out.

Q. I haven't got it, because we have the same difficulty in every branch of agriculture.—A. Sure, we have. I tell you gentlemen all we can do is to be patient and wait until the storm passes.

By Mr. Spotton:

Q. I wish to read to the witness a statement made by Rev. Father Lebel in his evidence before the committee, and ask him a question—

The Chairman: What page is that please, Mr. Spotton?

Mr. Spotton: Page 73. I want to ask the witness to explain it, and also ask him what he would propose to do to regulate this particular end of it. "This year—I quote here from the Milk Plant Commentary of New York, I think; it is an American magazine:

In January of this year in the whole state of Massachusetts, in the cities of Boston, Chelsea, Lawrence, Lowall, Lynn, and Springfield, the retail price of the quart of milk was eleven cents, the same as it was in Montreal during January. Now, the prices paid to the producers during that month; the fixed price was $2.74 to the 100 pounds, and during the same month in Montreal the fixed price was $1.60."—A. What did they get for the milk?

Q. $2.74 per hundred pounds: .. "during the same month in Montreal the fixed price was $1.60. You know there is $1.14 difference between these cities of Massachusetts and the city of Montreal. I think that the spread is a little too

much. If we take New York, New York in January, the retail price was 11 cents as in Montreal, and the price paid to the producers was $2.45; a good lot, 85 cents more than we were paid here." Now, my question is: how would you explain that, and why you cannot do business to net the producer the same as across the line; and so as I will not have to get on my feet again, I would ask the chairman if he would consider bringing over some expert from that district to give us information as to how they conduct their business in that state. They sell to the consumer the same as you do in Montreal, and they paid the producers during many months $1.14 more. That might be our salvation; that might be our way out? —A. Well, one thing that occurs to me to begin with: when we paid $1.60 and you say they paid $2.74, they get 8 quarts per hundred pounds more milk than we get out of it. We get 38 quarts out of one hundred pounds and they get 46 out of 100 pounds. If they get 11 cents, you would have to add 88 cents on to our price to bring it up. They sell a 32 ounce quart and we sell a 41, I think it is.

Q. You get thirty-eight?—A. Yes.

Q. And a half?—A. They sell 32 and we sell 41½ ounces.

Q. Give us the quarts per 100 pounds?—A. We get 38¾ quarts per 100 pounds; they get 46 and a fraction—I am only speaking from memory—per 100 pounds.

Q. That is a smaller percentage of spread. That helps to explain it, but only in part. Do you know anything about their system?—A. Yes. It is the very same as our own. I will say this, they have a denser population than we have, but they have not the climatic conditions to contend with as we have them in the City of Montreal. Their country is practically level, and ours is a hilly city.

Q. That is the only explanation you can give as to the difference between Montreal and there?—A. I am just giving you what is in my mind; but that is part of the explanation.

The CHAIRMAN: So far as calling witnesses from the other side is concerned, Mr. Spotton, that will of course be in the hands of the Committee, and it will be competent for you, if you desire to do so, to make that motion at any time in the Committee.

Mr. SPOTTON: It is just a suggestion to think over perhaps until our next meeting.

The WITNESS: Would you allow me to say to you, sir, that the province of Quebec last summer were very much exercized about just what you are exercized about at the present time. They brought over to Quebec Dr. Bond, a professor at Cornell university, who made a very exhaustive study of the whole question as far as Montreal, Three Rivers and Quebec markets were concerned, and his report is on file. That fully sustains our position, as far as Montreal is concerned.

The CHAIRMAN: It might be possible, at a later date, to call Dr. Bond himself.

The WITNESS: What is that?

The CHAIRMAN: It might be possible for the committee, if they so desire, to call Dr. Bond at a later date.

The WITNESS: Yes.

By Mr. Porteous:

Q. You made a statement in connection with the volume of business done by your company last year; would you say that the consumption of milk in Montreal had decreased or increased recently?—A. Well, as far as we are concerned, it has decreased.

Q. No, I mean the total consumption?—A. Well, I don't—I would only have to make a guess at it. My guess would be just as good as anybody else's. But we know, as a matter of fact that the Montreal public have not the pur-

chasing power at the moment. Do you know that in our city we are spending—the statement was made in the other night's paper that we are spending $1,200,000 a month on relief. That is how serious the situation is.

Q. Well, in the last ten or fifteen years, due to sanitary regulations, pasteurization of milk, what would your opinion be as to the consumption of milk; what effect has that had?—A. Until this great depression came on us, it had been growing steadily year by year.

Q. That was due to health regulations, you would say?—A. Health regulations, yes.

Q. Now, there was another question I would like to ask; you say you pay a premium of 3 cents per 100 pounds for fat?—A. One-tenth of a point of butter fat.

Q. Butter fat test, in the province of Ontario; and I suppose you get some of your supplies out of Ontario?—A. Yes, we draw some from eastern Ontario.

Q. There are certain regulations of the department there in connection with paying on a butter fat basis; I suppose you know that?—A. Well, so I believe, but they don't apply in Quebec.

Q. Do they apply to the producers who supply milk to Quebec?—A. No, they don't.

The CHAIRMAN: You mean producers in Ontario who supply to Montreal.

Mr. PORTEOUS: Yes.

Q. They don't apply?—A. They don't apply to Quebec.

Q. Unless it is the same in Ontario?—A. Of course, we buy in Montreal, and Montreal requires that.

Q. Just one other question with regard to buttermilk. You made the statement that you churned the whole milk.—A. Milk testing 2 per cent.

Q. Testing 2 per cent?—A. Yes.

Q. You churn it?—A. We churn it.

Q. And the butter fat—A. Is left right in.

Q. Remains in the buttermilk?—A. Yes. We call it old fashioned churned buttermilk.

Q. When you churn it, the butter is in there in globules?—A. Don't you know that we have always had a demand, people saying: "Why can't I get buttermilk like I used to get when I was a boy, with the bits of butter in it?" Now, when you churn it in this way, you have the butter granules that the people like to get.

Q. You just leave them right in there?—A. Oh, leave it right there.

By Mr. Mullins:

Q. Do you send any of it up to Ottawa?—A. I beg your pardon?

Q. Do you send any to Ottawa?—A. No, not at all.

Q. I thought not.—A. After the reputation we got the other day, I didn't think you would want it.

By Mr. Boyes:

Q. You mentioned some time ago that you were paying 3 cents premium on milk which tested over 3·5 per cent of butter fat?—A. Yes.

Q. And that your average was 3·7?—A. Yes.

Q. That is 3·7 per cent butter fat?—A. Almost 3·7, I said.

Q. Are you permitted in Montreal to reduce that to 3·5?—A. No.

Q. Or do you deliver as it is?—A. There must be nothing added and nothing taken from.

Q. So that you deliver at 3·7?—A. Just as we get it, yes.

By the Chairman:

Q. Mr. Hogg, may I ask a question; you made a suggestion a short time ago that if the producers' association embraced 100 per cent of the farmers who were producing milk, that they could dispose of their milk to better advantage?—A. Surely, they could.

Q. Well, there is too much milk, of course, being produced in the Montreal district to be sold as fluid milk; then it would result in a system of pooling, would it not?—A. A What?

Q. It would result then in a system of pooling, or what would you suggest?—A. Well, there would have to be centralizers in different sections of the country where the surplus milk would go to, and the whole milk that was required for the fluid milk market would be into Montreal.

Q. At the present time then, the producers' association which meets with you quite regularly to set prices, has very little power to influence the price in any way?—A. That is the unfortunate part.

Q. The distributors really set the price regardless of what the producers may say or may not say?—A. No, I can't admit that. You know, gentlemen, when you sit in that meeting, if you are a fair man you have got to try to be fair. Now, we realize at the present time that the farmers are getting a great deal less for their product than they are entitled to. There is no man that has more sympathy with them than I have, but we cannot make water run uphill; and we have tried, as I explained to you, the big dealers, to set a standard for the others to live up to. I will tell you, gentlemen, when you have these meetings we will have a whole room full of people that sit in there, but they go out after the thing is all settled and they don't all do as they practically agreed they would do.

Q. You deny the allegation that we hear on the street that the price to the consumer as well as the producer is fixed by the four large companies?—A. I would, most definitely.

By Mr. Spotton:

Q. Mr. Hogg, I would like if you would follow up a little further these subsidiary ice cream companies, no doubt controlled by the witness, how much of his product goes to it and at what price, and if he has any other subsidiary companies? You know, it is a customary thing for capitalists to have a subsidiary company where a great deal of the profits slip away, you know, and there is the reason. I would like to know if there are any other subsidiary companies, and give us any other information he likes about his ice cream plant which he no doubt controls.—A. Well, gentlemen, our product goes into the ice cream plant on a competitive basis. It stands right on its own legs. I have no other subsidiary, and I am very far from being a capitalist. I am a milk man; but there is nothing that I have that will not stand the strictest investigation. In fact, I have the ice cream department complaining to me that I am charging them more than they could get it elsewhere for, and sometimes I have had to confess that my leanings were to my first love, and I took care of the milk company first. But there is nothing in that. There is no loophole—gentlemen, I would like you to believe me—that won't stand the light of day.

By the Chairman:

Q. Another question, Mr. Hogg; it is just to clear up the statements that are made from time to time. I am not making any allegations— —A. Well, if you have any that you think you ought to make, let us clear them up. I am willing to.

Q. Very well. You give certain services to the public, to the consuming public in Montreal; part of it, of course, is pasteurization, part of it is delivery

of milk and these special services of delivery of milk say in the middle of the day, or when your rigs are not going on their regular routes, which costs extra money?—A. We have a special delivery fleet for service, yes.

Q. Pasteurization costs extra money?—A. Yes.

Q. And it is done for the convenience and the benefit of the consumer?—A. And the protection of mankind.

Q. There is a general impression among the producers that the farmer or the producers themselves pay for these services, or at least they get less than they would otherwise get, if those services were not required; is that correct?—A. Well, my experience, Mr. Chairman, is that since pasteurization has come into vogue, until this last year the farmers have received very much better prices and been much better treated than in the old days when there were none of these things done. That is my experience.

Q. You think then, that they have not been——A. And since pasteurization has come into the community, it has had the tendency to increase consumption; because any of you men who know farm life, know that in the old days we used to get milk with various flavours in it. A lot of it would have, if you smelled it, you know, a strong ensilage smell from it. Trade used to come in at one door and it slipped out at the other door, because people did not like the milk. Now we have a uniformly flavoured milk and a satisfied public.

Q. Then you say the cost of pasteurization and the cost of special services, delivery and the rest of it, is borne by the consumer and not the producer?—A. Well, Mr. Chairman, would you let me ask you this? Do you know anything that is either grown or made that goes to the consumer, that he has not got to pay for it?

Q. That the consumer does not pay for it, you mean?—A. That the consumer does not pay for in the end.

Q. Somebody pays for it, of course, but that is the question I am asking: is it deducted from the producers in this case and from the price to the producer or is it added to the price to the consumer?—A. Well, Mr. Chairman, all we have got to sell is milk and cream and butter, and it is out of that product—

Mr. Spotton: Ice cream.

The Witness: —that we have got to get the wherewithal to pay the farmer and pay our debts, and keep out of the bankrupt court.

By Mr. Taylor:

Q. Is it your opinion that the price of fluid milk to the city of Montreal is affected in any way by the price of milk going into cheese and butter?—A. Is it affected

Q. Yes?—A. Well, there is no doubt it is, because then you have a good healthy market for butter and cheese and the prices are running pretty nearly the same all the time. Now we have a happy time and the farmers have a happy time, and when you get it with the cheese and butter markets down in the valley, and the stuff trying to get a better price and shove in on our market, what can we do?

Hon. Mr. Motherwell: A glut, a complete glut.

By Mr. Pickel:

Q. What was the date of compulsory pasteurization in Montreal?—A. Oh, I would have to send you that, I don't remember; but some five or six years. Perhaps you have it here.

Mr. Gobeil: In 1925.

By Mr. Pickel:

Q. I have the bulletin here issued by the agricultural statistical department, which is the source of these details. In 1925 the producer was receiving 21 cents?—A. Yes.

Q. Now, he is receiving 16 cents?—A. Will you tell us what butter was selling for then?

Q. I don't know. This is milk.—A. Yes.

Q. I want to know why the producer is penalized, why he is receiving 4 or 5 cents less?—A. Because we can't get any more for it, that is the trouble.

Q. Then evidently you are selling for about the same price?—A. No, we are not. You see, I have got to talk from memory, but at that time that we were paying 21 cents, dairy products were pretty high, and I would not be surprised in 1925 if you saw that butter was 40 cents a pound. Mr. Motherwell would remember that better than I because he was in the—

Hon. Mr. MOTHERWELL: In 1925 it was 40 cents.

The WITNESS: Yes, that is what my memory would tell me.

By Mr. Loucks:

Q. What was the consumer paying at that time for a quart of milk?—A. Well, I think it was about 14 cents at that time.

By Mr. Lucas:

Q. What percentage of the fluid milk you receive is sold in the way of sweet cream to the consumer?—A. Well, you see of the separated milk we have there 11·9 per cent. That is all we separated. But we separated more than that, because all the returns that come off our wagons daily is all separated. It never goes out again. It is brought out and it is all dumped and it is all separated.

Q. What do you do with the separated milk?—A. Well, we just do the best we can with it. The less questions, the better.

Q. What I would like to know is, is there any market for it?—A. No.

By Hon. Mr. Motherwell:

Q. Goes into the sewer, does it? Does it go into the sewer?—A. I will tell you, gentlemen, we did hand it over to a fellow that was to make some kind of cement of it, and we are still waiting for the small price he was to give us.

By Mr. Stirling:

Q. Mr. Hogg, some days ago the price to the consumer was dropped from 10 cents to 9, was it not?—A. Yes.

Q. Do you remember what day that was?—A. I think it was on the first of March.

Q. The first of March?—A. Yes, I think so.

Q. What brought that drop about?—A. Well, I think I explained that. That was brought about through chain store competition. There was one chain store that was selling milk for seven cents. The three big chains who did not want to do that, or to use milk as a leader, they finally came to us and they said, "We can't stand this. These other firms are using this as a leader, and they are getting the people into their stores, and they are selling them other goods, and we are losing sales. We have got to do something." They wanted us to give them milk they could sell at seven cents. We says, "We will not do it." Well, afterwards they let us know that they were negotiating for a plant and were going to put their own milk in, and in consultation with some of my friends from across the border who have had a great deal of experience along that line, they advised me that it was not wise for us to get into conflict with the chain stores, and have them cut into the business. So for that reason we met them again and we finally agreed that we would allow them to sell milk at 8 cents. That was one cent over and above the other stores; and in view of that, in order to keep our tonnage on our wagons, we would have to reduce ours to 9 cents. That was the cause of it.

Q. That was an arrangement that you came to with one chain store?—A. Well, there were three chain stores.

Q. Well, three chain stores. Did you meet the distributors, the 400 distributors?—A. What is that?

Q. Did you meet with the 400 distributors or any of them?—A. No, we did not meet with any of them.

Q. So that when you said you would drop to 9 cents, all the other distributors dropped to 9 too?—A. Sure, that is what happened.

By Mr. Brown:

Q. That of course means that the farmer gets less, you are not able to pay as much to the farmer?—A. What is that?

Q. That is, if you had not had to make that arrangement with the chain stores, you would have been able to pay more to the farmers than you are now?—A. I don't know that we would. We have just had to take conditions as they are, and try and keep our tonnage on our wagons, and live out the storm.

Q. Yes, I realize that; but the fact that you say you had to reduce the price delivered from the wagons to 9 cents——A. Yes.

Q. —of course, of a necessity, cut down your profit?—A. Surely it did.

Q. And that means that ultimately the farmer is paying for this action of the chain stores?—A. He is ultimately what?

Q. Ultimately it is taken out of the price that the farmer receives?—A. No, we have not taken it out of the farmer at all.

Q. No; but if that condition continues, it will not be possible for you to pay as much to the farmer as you otherwise could?—A. That is practically right.

Q. Yes; that is the point we want to get at. All this business of the chain stores has been reflected in a lower price to the farmer, ultimately.—A. Ultimately.

By Mr. Pickel:

Q. What is the capitalization of your company?—A. Our company was, shall I say, reincorporated in 1920. Before that time, we had been operating with a provincial charter under a very low capitalization, and our needs were becoming greater. In 1920 we secured a Dominion charter, and issued $500,000 worth of bonds, and 75,000 shares of no par, common stock.

Q. It is the same to-day?—A. Well gentlemen, I tell you that I suppose I have to give this information, so I might just as well hand it to you. We have an investment in our business; that is, all the money that has gone into it, of $1,975,556.86. That is the amount of money that has been put into our business. We have never paid any dividends on our common—at least, nothing on this company. In the old days we kind of treated it is a co-partnership company. If we needed some funds, and we have it, we took it, but since that time there has never been any dividends. Our costs have been growing all the time, and I, of course, had a desire that some day before I quit, I would like to give to my city one of the best dairy institutions to be constructed. I worked with that end in view, and this is what has become of the large part of the expenditures we have made. It has all been out of earnings that have grown up through the years. We have run it just as carefully as it was possible for us to run it. I have given it all my attention. I have never done anything else but attend to business, and this is the growth of 48 years of effort.

By Mr. Carmichael:

Q. Have you a yearly audit made of your business?—A. Oh yes, we have to have that.

Q. By a firm of chartered accountants?—A. Oh my, yes.

Mr. CARMICHAEL: Mr. Chairman, should we not have that financial statement submitted to us from the company?

The CHAIRMAN: I think he has promised to do that.

The WITNESS: So I will, yes.

By the Chairman:

Q. You do not have any contract with your producer?—A. No.

Q. Would it be possible to help the situation, if you had regular contracts such as they have had in parts of Ontario where the producer is required to furnish a given number of cans of milk daily the year round?—A. In the old days, we used to have contracts, but they never worked out. You cannot take from a farmer what he has not got. You come into the fall of the year when the cattle are perhaps out and in and you run into a cold spell when a producer may come down two or three cans in a day or two. Well, if you spread that over hundreds of shippers, you have got a terrific shortage of milk.

By Mr. Brown:

Q. What would be the fluctuation in the demand during the year? Could you give us any figures that would indicate that?—A. Well, I cannot give you percentages, but you know if you take in the big cities the habit is increasing more and more for people to be out of the city during the summer weather, and since the days of the automobile, and the automobile has become so much used, you take our city on a Sunday, why, it is empty, don't you know. Our business just falls away. In the old days, Sunday used to be a very excellent day. You have quite a sale of milk as well as cream, but it is all disappeared.

Q. They probably take to other drinks on Sunday?—A. No, I think they get it where milk is produced; they get it unpasteurized.

Q. I just want to ask you your opinion on the general statement on which we had a little discussion a while ago. You have been a farmer?—A. I am, still.

Q. That sum of $2,000,000—.—A. You must not judge a man by his clothes.

Q. That $2,000,000 investment takes you out of our class. You would agree, with your experience as a farmer, and with your experience in the milk business, that it is always up to the farmer to take what is left after everybody is paid.—A. Well, I tell you gentlemen, I spent sixteen of the best years of my life on the farm. I want to tell you gentlemen that I got more fun in one week in those days than I would get in a year in the city. I have worked hard, but there was a pleasure in seeing stuff grow under your hands; and it was in the summer time when my day's work was over my wife told me I was heading for the farm, the open air. How I like to get around to the green fields; there is great joy there that is to be found nowhere else. Let me tell you I do not know a happier body of men on God's green earth than farmers. I gave you the figures of what we have invested in our plant. Do you know what it means to me? It is working like the Devil all the time, and trying to get enough in in order to pay my taxes and pay the liabilities as they come due and so forth. The wealth is more apparent than real. You know we have had a lovely time; I am glad to talk to you fellows.

By Mr. Loucks:

Q. Do you think it would have been much better if you had given the farmer the one per cent reduction instead of giving it to the chain stores?—A. By God, we could not hold our trade. We did not want to give it to the chain stores or anybody else. We want to keep it.

By Mr. Stirling:

Q. What is the cost of your plant—A. Well gentlemen, those figures that I gave you is the cost of all that we have; that is all.

Q. What proportion of it is machinery, and what proportion buildings?—A. I cannot give you that offhand, but it all runs into big amounts of money. You know, if you build a modern dairy plant, it has to be like a ship, if you do not you are only buying yourself trouble.

By Hon. Mr. Motherwell:

Q. How much more could your company and other companies in Montreal charge the consumers for their milk, thereby permitting a higher price being paid to the farmer without interfering with and reducing the consumption of milk?—A. How much?

Q. How much more could you charge your customers for milk?—A. How much more?

Q. Yes; without reducing the consumption of milk.—A. I do not think I am able to answer that, Mr. Motherwell.

Q. You know there is a point reached when the consumption will be reduced. Cheap milk always implies greater consumption. Dear milk always, as a rule, means lesser consumption, especially during a time like this.—A. Let me tell you something. In my search about this milk business, I was consulting with my friends in Boston, who were referred to to-day, the H. P. Hood Company, who are a very old and very conservative firm. They have been troubled with this cutting of prices, and they thought they would see if by taking a section and by reducing the price of milk whether it would build up their wagon loads. They gave it a very fair trial and they actually said it did not put a quart more on the wagon. I tell you gentlemen, the greatest asset we have—I may be talking too much, but I am carrying along—is the goodwill of the people. I will tell you when I started in I was not an awfully big company, but I will have women coming to me and saying—women of middle age—and they will say to me, "Mr. Hogg, do you remember when you served my mother?" Now, they do not change much, you know. It is only through the length of the years that you get into the old family trade in Montreal. There is no short route to it.

The CHAIRMAN: We shall now adjourn to meet again on Tuesday.

Committee adjourned at one o'clock, to meet on Tuesday, March 21, at 10.30 a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 21, 1933

No. 7

Reference,—Milk and Milk Products

WITNESS:

W. R. Aird, President Elmhurst Dairy, Limited, and Eastern Dairies Limited.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 21, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Boulanger, Bowen, Boyes, Brown, Carmichael, Donnelly, Dupuis, Fafard, Gobeil, Goulet, Jones, Loucks, Lucas, McGillis, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Rowe, Sauvé, Shaver, Smith, Spotton, Sproule, Stewart, Stirling, Taylor, Tummon, Vallance, Weese, Weir (*Macdonald*), Wilson.

Mr. Boyes raised the question of whether the committee was going to carry its investigation into the milk situation in Western Ontario cities. The Chairman informed him that the agenda, agreed upon at the initial meeting, to proceed first with Montreal, unless varied by the committee, would be adhered to.

Mr. E. Cousins, President of Ernest Cousins Limited, was in attendance and was informed that as he had not been summoned would be heard only if time permitted.

Mr. Tummon, for the sub-committee, reported that W. R. Aird, President of Elmhurst Dairy Limited, Montreal and Eastern Dairies Limited, had been summoned for to-day.

Report concurred in.

W. R. Aird, called and sworn, read a prepared statement and was submitted to examination. The witness agreed to file certain statements by forwarding same to the Clerk.

Witness retired.

The meeting adjourned at 1.15 p.m., at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 21, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: First of all we will have a report from the subcommittee on witnesses.

Mr. BOYES: Just before proceeding with the order of business I would like to bring a little matter to the attention of the committee. I have an inquiry here from the agricultural representative of the county of Middlesex, and he asks this question: Is the commission planning to take any information from London, Toronto, and other points in that section? Now, apparently, they are interested in that part of the province of Ontario and would like to know. I thought I would first bring the matter before the committee this morning to see what might be the proper action.

The CHAIRMAN: Of course, you realize, Mr. Boyes, it was understood at the first meeting of the committee that conditions in Montreal were to be investigated first. When the committee considers that sufficient investigation has been made into conditions in Montreal it will be competent for them to say so and to call witnesses from other places. That is as far as I can go at the moment myself, unless some member of the committee has something further to add.

Mr. BOYES: Then I might reply that the city of Montreal will be investigated first, and if there is time further action might be taken with regard to other sections of the country.

The CHAIRMAN: I think so. Now, Mr. Tummon, will you report as to your witnesses.

Mr. TUMMON: The subcommittee last Thursday had thought of asking Mr. Cousins and Mr. Monette to come back again to-day, as I intimated in making the report. Afterwards, for certain reasons, we decided to ask Mr. Aird of the Elmhurst Dairy Limited of Montreal to appear here to-day as witness, and I believe Mr. Aird is here.

Mr. E. COUSINS: Mr. Chairman, you asked Mr. F. Cousins to come back to-day, and I am here in his stead. Now, I would like to make my own position understood. I must first apologize for the absence of my son. He has a bad cold. I am here in his place. I would like to say this with your permission that I should not have to come back again. If there are any questions you would like to ask me, I will be very pleased to answer them.

The CHAIRMAN: I had not understood you were notified to appear to-day. If you were, we shall have to make some attempt to hear you.

Mr. COUSINS: My son was so notified.

The CHAIRMAN: By whom?

Mr. COUSINS: By this investigating committee, I presume.

The CHAIRMAN: The only gentleman who invites witnesses to come here is the clerk of the committee, and he informs me that you received no notice whatever.

Mr. COUSINS: We were requested to come back.

The CHAIRMAN: There is a letter here, Mr. Cousins, of March 14, 1933, addressed to Mr. F. Cousins from the clerk of the Agriculture committee:—

> DEAR SIR,—
> I enclose herewith a copy of the evidence taken to-day before the agriculture committee of the House of Commons. A perusal of this evidence would inform you of the statements which the committee requires you to produce at your next appearance. Please advise me when you have the required information ready.

I understand there has been no reply.

Mr. COUSINS: I am sorry to say the fact still remains that he was requested to attend to-day.

Mr. GOULET: By whom was he requested to be here to-day?

Mr. COUSINS: By the secretary or chairman.

The CHAIRMAN: I never made such a request. However, we will hear you after having heard the first witness, if it is the wish of the committee.

WILLIAM R. AIRD, called and sworn.

By the Chairman:

Q. What is your position, Mr. Aird?—A. Vice-President of the Elmhurst Dairy Limited.

Mr. TUMMON: Mr. Chairman, Mr. Aird asked me when he was giving his evidence if it would be possible for him to bring his secretary and some others who would have the information at hand—at their fingertips—and he would like to have them sitting alongside of him. I told him I could see no reason why that should not be done.

Mr. BROWN: May I ask both the members of the committee and the witness to speak out so that everybody can hear. This is not a good hall to hear in. I hardly heard what Mr. Tummon said.

Mr. TUMMON: Mr. Aird asked if he might have his secretary and others beside him to advise him on certain matters as he gave his evidence.

The CHAIRMAIN: I think that is customary. Go ahead, Mr. Aird.

The WITNESS: I have prepared a statement which I would like to read:—

March 17, 1933.

Chairman,
Select Standing Committee,
Agriculture and Colonization,
House of Commons, Ottawa, Ont.

DEAR SIR,—I beg to submit the following information concerning the business of our subsidiary, Elmhurst Dairy, Limited, Montreal, dealing more particularly with the purchase of milk and the relations between the company and the Montreal Milk Producers Association.

The terms on which we purchase milk from the producers are arrived at on a collective bargaining basis. Periodically the executive of the Montreal Milk Producers Association meet with representatives of the dairies of the city to arrange the terms on which milk will be purchased, the terms agreed upon remaining in force until the next meeting which may be held at the call of either the Montreal Milk Producers Association or any distributor.

The terms agreed upon are usually restricted to the prices to be paid for regular milk. It is left to the dairies to select their own shippers and to purchase from whom they will.

It has been the policy of Elmhurst Dairy, Limited, to adhere strictly to their agreement with the executive of the Association. All shippers taken on must have had their farms inspected by inspectors employed by the Health Department of the City of Montreal, and shippers are taken on by this company only after we have received notification from the Health Department that it is in order to purchase their milk. The Health Department also reserves the right to cancel any shipper's permit, thus prohibiting us from purchasing milk from that farm. Frequently we have received numerous offers from producers to ship milk to us in considerable quantities at prices much lower than the agreed prices, but we have without exception turned down these offers. It is also our policy to adhere strictly to the regulations of the City of Montreal and to co-operate with them in every manner possible.

Regular Milk is milk which is shipped to the dairy and used for sale as fluid milk.

Surplus Milk is milk shipped to the dairy over and above the quantity required for sale as fluid milk, and which must be used by the dairy in some other way.

Each month the producers are paid for the milk sold as fluid milk at Regular Milk prices, and for the balance of their shipments at Surplus prices, the division of these quantities being apportioned to the producers on a pro rata basis. In arriving at the volume of sales on which we have agreed to pay Regular Milk prices all sales of milk are included, including buttermilk.

Each shipper is given a base which consists of his average shipments for the six months, from September to February inclusive. During this period the surplus is divided equally amongst all shippers. From March until August the shipments sent by each shipper over and above his six months' base, are treated as surplus. Should this not cover the actual surplus of milk received the balance is divided equally amongst all the shippers, including those who have not actually shipped a surplus. Should the surplus shipments of each shipper more than cover the surplus received, the surplus charged against these shippers is reduced accordingly.

Thus, if a shipper's monthly average for his base period is 6,000 pounds and for the month of March he ships 7,500 pounds he would be paid for 20 per cent of his shipments at surplus prices; should a further surplus charge be necessary he would have an equal proportion added on, divided amongst all the shippers on our list. If, however, there was more than sufficient surplus taken, the payment on the surplus base would be reduced in proportion.

Jersey Milk and Special Milks are purchased separately at higher prices, and are therefore not included in the negotiations with the Producers' Association.

One of the most difficult items to control in the dairy business is the number of shippers to be taken on and the amount of milk to be purchased. Our usual agreement with individual producers is that we will take all the milk they send us providing we pay them on the basis above outlined. The sales of milk fluctuate very considerably from season to season and also from week to week. For example, in the summertime when the production of milk is high the sales in the city are low and on the other hand in the winter time, when production is low, sales

are higher. In addition to this sales are affected by changes in the weather, holidays, particularly school holidays, and they are also subject to change each time a change of price goes into effect. For this reason we sometimes find it necessary to take on extra shippers during the low production months. These shippers are paid on the same basis as the others with the exception that they ship only during part of the year, and are dropped off our lists when their milk is no longer required. These shippers are generally given the opportunity of shipping cream if they so desire.

The agreed price with the Producers' Association is based on milk testing 3·5 per cent butterfat but we pay a bonus of 3 cents per hundred pounds each tenth of 1 per cent above that figure, and 3 cents per hundred pounds is deducted for each tenth of 1 per cent which his milk falls below 3·5 per cent. This applies to the purchase of both Regular and Surplus Milk. Our experience has been that this practice has helped to increase the butterfat content of milk produced, as generally our premiums exceed the penalties. The City of Montreal prohibits the sale of milk under 3·25 per cent, and also prohibits any standardizing of butterfat content. In other words the milk must be sold as received. The milk sold by Elmhurst Dairy, Limited, averages approximately 3·7 per cent butterfat, and this is done without any standardizing.

It appears to be the popular opinion that the so-called spread which the dairies receive is the difference between the retail selling price of milk and the price paid to the producers based on 40 quarts of milk to each 100 pounds. A gallon of milk weighs 10·3 pounds and it therefore takes 103 pounds of milk to provide 40 quarts or only 38·8 quarts per hundred pounds of milk.

This yield, however, is not obtained in actual practice. With efficient operation there is a plant shrinkage of approximately 2 per cent. This shrinkage is inevitable in the handling of milk through modern dairy equipment and is due to evaporation, loss in the equipment, overcapacity of milk bottles, etc.

The great bulk of the surplus milk received is not required for any other purpose and therefore has to be separated and used for the manufacture of butter. Since the price we pay for Surplus Milk is always considerably higher than the price of churning cream and the market price of butter this results in a loss to the dairy of an amount which is equivalent over a period of time to an average of approximately one-tenth of a cent per quart of milk sold, and this is the dairy's part of the inevitable loss through being unable to purchase milk exactly to the quantity required.

In considering the statistics furnished by cities in the United States of America it should be remembered that the yield in quarts per hundred pounds based on the American quart is 20 per cent higher than the yield in Canadian quarts, so that in order to be on an equal basis with the dairies in the United States we in Canada should receive a 20 per cent higher spread per quart.

In considering Dairy Plant Operations I would like to point out that a milk pasteurizing plant operates 365 days a year. It is impossible to close down even for one day. This means extra expenditure for equipment, labour and other charges which plants in other lines of business are not subjected to. The same condition applies to delivery expenses as deliveries must be made 365 days each year. In Montreal climatic conditions are such that our company must maintain both waggons and

sleighs sufficient to cover all its routes. This is a condition which a great many of the cities in the United States of America and quite a number of the cities in the Dominion of Canada do not have to meet.

Our company sells only milk, cream and other dairy products of the highest quality, and our standards not only meet but exceed those fixed by the Health Department of the City of Montreal. In order to do so it is necessary to exercise continuous and careful attention in the maintenance of the plant and equipment, and the handling of the products. The plant and equipment must be kept scrupulously clean and the pasteurizing and cooling processes must be carried out to the letter. Over a period of a year thousands of samples are collected and tested in order to provide a proper check on the operations of the plant. This attention has to be maintained during the full twenty-four hours of each and every day.

In our opinion the house to house method of delivering milk is an absolute necessity. On Sundays and holidays when the stores are not open a delivery of fresh milk can only be obtained from the distributing plants. In addition there are always a large number of people who due to illness or other circumstances are unable to go to the store for their milk. This has been proved by the fact that since some of the stores have sold milk at very low prices a large number of our customers have taken their early morning delivery or part of their requirements from us and the balance from those stores. By delivery direct from the dairy plant to the home, the most of which is made before breakfast, the public is assured of receiving milk of the highest quality. During the warm weather milk is placed on the delivery waggons under ice.

In the case of contagious diseases in any home the Health Department of the City notify the distributing company, after which special precautions are taken in each case until all danger has been eliminated, and it is apparent that the necessary care in this regard can be controlled more easily through direct delivery from the distributing company to the homes than by any other method of delivery. There is also the question of delivery to hospitals, charitable institutions, restaurants and other similar organizations.

The cost of delivering milk direct from the distributing plants to the homes is not excessive where a fair volume is sold. During the last two or three years, however, conditions have been such as to make the maintenance of a fair volume very difficult. The continued unsatisfactory conditions prevailing throughout the country and the consequent lack of buying power has caused a decrease in the consumption of milk and a larger decrease in the consumption of cream. In addition to this a number of the chain stores have used milk as a Leader, and in this way have divided the method by which a great many homes receive their supplies and thus cause an increase in the expenses of deliveries to them. As previously mentioned this company has refused to purchase milk which had been offered by producers at lower than the regular prices. This milk, however, has found its way into the City of Montreal, and it has enabled some of the smaller dealers to undersell the companies who were adhering to the agreement with the Association and endeavouring to maintain a fair price to the producers and a fair price from the consumer.

We wish to stress the fact that so far as our company is concerned there has been no antagonism with or from the producers. We believe it to be vital to the success of our industry that the producers receive a fair value for their products. On the other hand it is also vital that the

distributing companies receive a fair return from their sales in order that they can pay the producers promptly, and also bear the expense of handling and delivering the products to the consumer in accordance with the high standards which should be maintained.

During recent years the market values of butter and cheese have fallen to extremely low levels. These values are beyond the control of the producers and the distributors, but they are nevertheless a determining factor in the regulation of fluid milk prices. From 60 per cent to 75 per cent of the milk produced in Canada is not required for fluid milk or cream. There is always an effort made by the producers to dispose of their milk for fluid sale purposes, and if the difference between the prices of these two classifications is too great the pressure becomes severe and ultimately breaks down the price of fluid milk.

Yours truly,

EASTERN DAIRIES LIMITED,

W. R. AIRD,
President.

By the Chairman:

Q. Is that all of your statement?—A. Yes, sir. I will be glad to answer any questions.

By Mr. Blair:

Q. May I ask you a question pertaining to delivery. You said the loss on the surplus is 1 cent a quart?—A. One-tenth of a cent a quart.

Q. Now, you say the deliveries are very small, but we are all aware in Toronto that on some streets in the morning six or seven milk carts are on the one street annoying the early drivers of cars. Would it not be possible, sir, to have a central delivery, especially for the small customers, where one waggon would deliver for all companies. It is seldom that a delivery man enters in as a factor in securing new customers, because the milk is delivered before the people are out of bed in many cases. Therefore, I think you could carry on the business and have a central delivery for the smaller customers?—A. My answer to that question is that none of us in our company have been able to figure out a method under which that could be done, and some of us have had a very considerable number of year's experience in the distribution of milk, and we have not been able to figure out any basis of that sort. It would take a superman on a waggon to be able to tell who wants which milk.

By Mr. Brown:

Q. Has your organization any arrangement with any of the chain stores, and if so, what?—A. We are supplying the Dominion stores at Montreal?

Q. At what price?—A. The price to the Dominion stores is to-day 7 cents.

Q. And they sell at what price?—A. Eight cents.

Q. And you deliver at what price?—A. Nine cents.

By Mr. Blair:

Q. May I ask what is the cost of delivery?—A. I have prepared here some figures I think that will answer that question. Perhaps, with your permission, Mr. Chairman, I might give a brief outline of what constitutes the costs of a dairy.

The CHAIRMAN: That will be very acceptable.

WITNESS: Unfortunately, our fiscal year ends in March, and with your permission I would like to talk on our period of the year ending the 3rd of March, 1932, and the ten months ending January 31, 1933. I can give you comparative figures for these two periods. This is on milk, per quart; the cost of the dairy expenses was 1·48 cents per quart; for the year ending March 31, 1932; and 1·52 cents per quart for the ten months ending January 31, 1933.

Q. What does that include, Mr. Aird?—A. I was going to give you the whole thing.

Q. All right.—A. It includes first of all, labour.

By Mr. Stirling:

Q. The cost to the dairy for labour?—A. That is the actual dairy cost. Now, in the dairy expenses are included such items as bottling caps, fuel, general expenses applicable to the dairy itself, the proportion of insurance charges that are applicable to the dairy, labour generally that is applicable to the dairy, laboratory expenses and labour, milk and cream wages, light, power, refrigeration, rent if any, repairs and maintenance, supplies general, supplies laboratory, taxes, workmen's compensation, and water.

By Mr. Pickel:

Q. Does that include pasteurization?—A. All of these costs go to make up the total dairy cost, including pasteurization.

By Mr. Stirling:

Q. Is that including the cost of the milk and the cream?—A. No, that is actual expenses only.

Q. But, you read milk and cream?—A. I said, "Supplies, milk and cream," and "labour, milk and cream," that is the labour actually expended by us on handling the milk for the plant.

Mr. BOUCHARD: Does it include what was invested?—A. No—1·48 is the figure.

By Mr. Tummon:

Q. That is for 1931?—A. For the year ending March 31, 1932, and 1·52 for the ten months ending January 31, 1933. You will notice that the costs are up slightly for the past ten months, over the previous year.

By Mr. Bouchard:

Q. Why?—A. For the simple reason the sales are down. Our wages have been cut. We have cut our expenses to the bone, but unfortunately we have not been able to get our expenses down as fast as sales and other things drop. Now then, selling and other expenses are the next thing, that cost was, for the year ending March 31, 1932, 2·59 cents per quart, and for the ten months ending January 31, 2·83 cents per quart. You will notice there is a decrease there, some of the wagons have been taken off the road, and we cut wages besides and commissions.

Q. Does that include delivery cost?—A. This is delivery costs I am talking about now, selling and delivery. In other words, our expenses are split up in four ways; first—I have not mentioned the price we pay for milk, well I can give you that—first of all is our dairy expense, then our selling and delivery expenses, and administration expenses and our executive expense.

By Mr. Vallance:

Q. Why would your delivery costs be cut because you took off some wagons?—A. Because we have been trying to get our expenses down on account of general conditions, and as our sales drop we took wagons off the road. We lost customers.

Q. You say your "per quart" is so and so?—A. Yes.

Q. So then, when you took off your wagons, it lowered the cost per quart?—A. Providing we can maintain the sales on our wagons that are left, yes. That is what we have done, and of course there are other costs besides that have been contributed to the lowering of that cost. If you will allow me to read what makes up this cost of delivery, perhaps you can figure it out. First of all, there is the blacksmith, we have to shoe horses; then there are bottles, cans, cases, express on sales if any, general expenses in connection with selling, horse feed, insurance, labour blacksmith, labour garage, salesmen's wages, stable and yard services, store if any, licences, which is a very heavy item, rentals, if any, repairs to cans, repairs to cases, reserve for bad debts, stable expenses, trucks, wagon and sleigh repairs. All of these items go to make up that expense.

By Mr. Boys:

Q. Do you have any milk delivery by motor?—A. Yes, both.

By Mr. Tummon:

Q. Just while you are on that, have you the cost for bottles there?—A. No, the bottles cost us roughly, around five cents apiece.

Q. Have you any idea what you spent in the fiscal year 1932 for botttles?—A. Yes, about $1,000 a month.

Q. Would that be for increase in business?—A. No, that is actual bottle loss, breakage, applicable to the charges.

Q. And what does that amount to?—A. To a thousand dollars a month. Of course, gentlemen, a thousand dollars a month sounds like an awful lot, but when you come to deal with a few million bottles the cost in the year is not so much. Take a grocery store wrapping parcels, if you got them to tell you what it cost to wrap up an individual parcel, I am sure you would be surprised. You are asking us one lump sum of what bottles amount to on a fairly large volume of business.

By Mr. Shaver:

Q. Might I enquire if that figure includes just breakage?—A. All bottle expense.

Q. What other losses would you have except breakage?—A. Yes, there is the loss on bottles.

Q. How could that be, isn't it the usual custom to make each driver responsible for the bottles he takes out and to charge customers for bottles they fail to return?—A. No, we have two types of bottles, we have a store bottle on milk sold to stores, there is a charge for them, but you can't charge the householder for a bottle.

By Mr. Vallance:

Q. Why can't you charge the householders?—A. You might do it, but if you did, you probably wouldn't keep your customer long.

Q. I suppose that is why you see so many bottles lying around the lanes here?—A. I don't think you see many.

Q. Yes, indeed you do.—A. If you have gone around before the bottles have been collected, you will find some there. I can tell you, gentlemen, we are on the job looking after bottles, we know that bottles are an expense, and we don't just sit back and leave bottles lie around.

By Mr. Goulet:

Q. Why can't you just charge them to the customers?—A. For the simple reason if you have been supplying milk to a home—this company started in

1873—they are short a bottle one morning and you told them that before you could deliver to them they had to have a bottle or pay for one, they would not like it very well.

By Mr. Brown:

Q. This is a very serious thing to us; it has increased the cost of milk?—A. My dear sir, it is a very serious thing to us too.

Q. You have means of making it up, and we haven't.

By Mr. Goulet:

Q. If the companies were to do the same thing in general, then it would be all right?—A. If everybody did everything they should,—that is the ideal, but it is impossible.

By Mr. Brown:

Q. We had that testimony before with reference two other companies, and in one case, if I remember correctly, we were told it was $16,000, and in another, $14,000—I think the second company gave a much similar statement. Now, the cost of botles in the city of Montreal must be enormous.—A. it is.

Q. Of course, that cost must be finally taken out of the producer of milk?—A. It is.

Q. Of course, that cost must be finally taken out of the producer of milk?—A. I would not say that the producer of milk is paying that.

Q. No? Oh, yes, he does.—A. The consumer is paying that.

Q. Can you say how it was charged to the producer?—A. Charged in this respect, that it all comes into the cost of doing business.

Q. Oh, yes; but that means that you are able to pay the producer just that much less because of that cost.—A. No.

Q. And so the point to the farmer is this, that we want and insist that the distribution of milk be carried on in the cheapest possible way, or at least at a reasonable cost, and everything that is added to the handling cost is an extra charge upon the producer of milk. We must get that point of view, and we want the producer to get that point of view.—A. We have it.

Q. I mean that the farmer takes what is left after all other expenses are paid; and until everybody gets that point of view we will not get a proper solution on this question.—A. Well, I am going to tell you this sir, that we have that point of view, and we watch our bottles, and our bottle loss to-day is as low as we can make it, using the best effort that we have to keep it down, we are on the job: we don't operate our business to just let this situation ride, we are operating our business as economically as we know how. My sympathy is entirely with the producer. I think the evidence that has been produced here proves that some of us at least are trying to pay the producer a fair price.

By Mr. Vallance:

Q. Might I ask a question right there: You say the cost to you is a thousand dollars a month for bottles, what volume of milk do you handle per month?—A. We handle over the year on milk alone—of course, the $1,000 a month is bottle cost for the entire business—we handle 9,943,521 units.

Q. Last year?—A. That does not mean bottles only, because some of these bottles are in fours—when you get into halfpints—but this is brought to quarts; and the total is 9,943,521 units. Now, if you divide that into $1,000 a month—.

Q. Quarts, you say?—A. That is our total units sold, milk, cream and butter.

Q. I mean, is it quarts?—A. Quarts, yes; and butter is "a pound"—9,943,521 units.

By Mr. Tummon:

Q. Now, can you give us—have you handy there Mr. Aird, the total number of pounds of milk that you handled last year?—A. Yes, but wouldn't you rather have me finish this cost.

Q. Well, there is just a point here that I want to make.—A. We purchased —I am taking the same period, March, 1931, to March, 1932, the year—22,572,910 pounds of milk.

Q. Then Mr. Aird, I should like to fix that right here, that where he handled over twenty-two million pounds of milk at an average cost of $1,000 per month for bottles. We have had evidence here where those who only had 13 million pounds of milk the cost ran over $1,000 worth of bottles; so you are well under them.

By Mr. Boyes:

Q. May I ask, where you have that $1,000 per month cost for bottles, about what percentage is that of your total value of bottles throughout that time?—A. I can't answer that.

By the Chairman:

Q. He means your stock of bottles.—A. I have got the figure of the value of the bottles that we have, but there are a thousand other things—

The CHAIRMAN: Might I propose, gentlemen, that Mr. Aird finish his statement, and that you confine your questions to the statement afterwards.

The WITNESS: Now I think you have the dairy expenses, and the selling and delivery expenses. On the butter wrapping and selling and delivery expenses for the year ending March 31, 1932, 2·95 cents—and average for the ten months, 2·83 cents. Administration—I'd just like to point out that in that connection 1·82 cents over the year was paid out in wages; and 1·74 cents for the ten months was paid out in wages.

By Mr. Tummon:

Q. That is, selling and delivery?—A. That is selling and delivery. I am dealing in cents per quart. The administration expenses for the year ending March 31, 1932, were ·52 of a cent; and for the ten months, ·49 cent. The executive expenses were ·24 cent; and the ten months ·25 cent, giving total expenses of 5·17 cents for the year; and 5·09 cents for the ten months. Now, the selling value. One average selling price per quart for the year was 10·53 cents; and for the ten months, 9·04 cents. You will notice a decrease of almost 1·5 cents. The purchase price of the milk—the cost of our milk for the year was 4·83 cents; and for the ten months 3·59 cents.

Q. That is, per quart?—A. Per quart.

By the Chairman:

Q. Does that include surplus?—A. That is the actual cost of the milk sold.

By Mr. Bouchard:

Q. Do you sell exactly the same quantity as you buy?—A. No, we do not.

By Mr. Tummon:

Q. Your cost price, of course, included transportation to the farmer?—A. Yes. I'd just like to point out one point here; that from these figures you

will notice that the dairy itself absorbed a quarter of a cent a quart. In other words, our spread actually went down from 5·70 to 5·45, or one-quarter of a cent a quart. We have absorbed that spread.

By Mr. Bouchard:

Q. Do you sell milk with the same proportion of fat in it as you buy?—A. Absolutely. I stated that in my report. Now, that leaves one figure, that is profit. Taking the 5·17 from the 5·70 leaves a profit of ·53 cents per quart, out of which we have to pay interest on our investment and depreciation; and for the ten months it leaves ·36 cents for a quart, out of which we have to do the same thing.

By Mr. Vallance:

Q. Just a word about that "depreciation." You say that it costs you $1,000 a month for bottles?—A. Yes, sir.

Q. Does that figure in your depreciation, also?—A. No. The bottle loss is an actual operating expense and so charged.

By Mr. Brown:

Q. What percentage of depreciation do you allow?—A. Well, that is a question that I can't answer. This company is a subsidiary of Eastern Dairies, and I haven't got those figures here.

By Mr. Vallance:

Q. Regarding the butter fat content of your milk, is that the same at all times?—A. No.

Q. It is not?—A. No, no more than the cow gives the same kind of butter fat at all times, it varies from year to year and from month to month, practically.

Q. You take the milk as it is delivered to you and after pasteurizing it you then have 3·7, or whatever the average is, and you deliver the average?—A. That is right, absolutely. There is nothing added to or taken from it.

By Mr. Brown:

Q. Let us come back to the chain stores; how long have you been supplying the Dominion stores?—A. Oh, for quite a number of years, but not at a lower price than we sell it; only since the first of March.

Q. Well, that is a point I want to get at, how long have you been delivering it to the chain stores at your reduced price?—A. Since the first of March.

Q. Of this year?—A. I think, to be exact, probably about the 27th or 28th of February we started.

Q. And have you reduced your house to house delivery price since then?—A. Yes we did, at the same time.

Q. That means this, I want to emphasize this point, that means that you will be compelled to pay the producers less for their milk through the arrangements that have been made with the chain stores?—A. Well, sir, if you get 40 cents a hundred less for it—I am giving it roughly, now—if the dairy gets 40 cents less out of which to pay, what else can you do.

Q. Well, I am not saying you can do anything else, but I want the public to understand that point?—A. I think, ultimately, that is what is going to happen.

Q. This arrangement with the chain stores means that the chain stores are handling the farmer's milk at less than cost, and the farmer is therefore compelled to take less for his product than he otherwise would. I want to emphasize that point, and you admit it, as it was admitted by a witness here the other day—it means that the farmer is the eventual sufferer.

By Mr. Loucks:

Q. I have figures here from a consumer for the month of January, 1933, I just want to ask if they compare favourably with your figures. The consumer paid an average of 11 cents for January of this year—they really paid 6 cents per pint for milk, and also 35 cents a pint and 50 cents a pint for double X cream. Do these figures compare with your figures as a distributor?—A. Our selling price on milk for January, 1933, was 11 cents a quart, that is right; 6 cents by the pint—we have adopted this policy of charging more for a pint than a quart for the simple reason that it costs more.

By Mr. Pickel:

Q. What is the proportion of milk sold in pints?—A. Oh, the pints are very small, very, very small.

Q. Can you give us the percentage of that?—A. No, I could not give you the percentage. It is only a few odd cases a day. It would naturally add to the cost but it does not amount to a very great deal, the pints of milk sold—very slight. There are lots of half-pints sold to schools.

Q. What is the difference in the cost of bottling a pint or a quart?—A. Well, that, sir, is a hard question to answer. You have to have a regular cost accountant, and I doubt if it would add much anyway when we actually got it to take and separate the flow of milk through the plant to show that your pints cost so much and your half-pints cost so much.

Q. I meant the cost of the bottles?—A. Oh, of bottles; I would say that the cost of the bottles for the same quantity of milk, that is, 2 pints make quart, would be more on a pint than on a quart. The bottles cost a little less per bottle but then you have got 2 bottles instead of one.

By Mr. Vallance:

Q. The difference is very small?—A. Not very much less, I have not the actual figures here, I will be glad to get it for you.

By Mr. Loucks:

Q. I have here another price which shows that the consumer pays 10 cents per quart for buttermilk?—A. I think that the price of buttermilk was 8 cents, it may have been 10; but if it were 10 or 8, buttermilk is milk, and is purchased by us as milk. It is not something that we get for nothing.

By Mr. Blair:

Q. Is it always fresh milk?—A. Our buttermilk is always fresh milk.

By Mr. Brown:

Q. Do you mean by buttermilk that you churn it?—A. Yes, we churn it.

Q. Do you make part of your surplus into what is called modified buttermilk?—A. No, we do not. Our buttermilk is buttermilk, and is sold as buttermilk; and it is not fermented milk.

Q. Well, you would say it is a by-product?—A. No, it is not.

By Mr. Loucks:

Q. But it is a by-product in the sense that it is left over from churning? —A. No, our buttermilk is manufactured and sold as buttermilk, it is not the residue of a churning.

By Mr. Mullins:

Q. The butter is not taken off— —A. Very, very little, you have got to take a little off in order to get good churned buttermilk; you have to got to take some of the butter off and you have got to make up—

Q. Are you right about that fat?—A. Our buttermilk runs around 2 per cent fat.

Q. And you leave that butter fat in the buttermilk?—A. Absolutely.

By Mr. Shaver:

Q. May I ask if you take this 2 per cent or take a certain amount of whole milk and a certain amount of skim milk and put with it milk from which the butter fat has been taken off?—A. No, sir.

Q. Would it be poshsible to do that?—A. Oh, yes, most anything is possible, but we don't do those things.

By Mr. Vallance:

Q. When you make buttermilk with milk you take a quantity of milk and take from it a certain percentage of butterfat?—A. No. I will tell you what we do. We take milk and we add cream.

Q. You take milk and you add cream?—A. We take milk and we add cream to it up to, I think it is, 10 or 12 per cent, because we have to get something to get butter from—we put cream in in order to get butter out—we get the butter value in and then we take and churn that.

By the Chairman:

Q. Do you churn that sour or sweet?—A. It has got to be sour of course, that is the usual procedure. We churn that and there is a small proportion of butter comes off leaving the old fashioned buttermilk, churned as nearly as you can get to the old fashioned churn—as near as it is possible to make it.

By Mr. Loucks:

Q. What percentage of butterfat have you really got?—A. 2 per cent.

Q. You don't say you leave that butter in there?—A. No, I say we should have our milk up to 10 per cent, and after taking the butterfat off it leaves about 2 per cent.

Q. You take off about 8 per cent?—A. Yes, about that much.

By Mr. Vallance:

Q. If the witness knows, and I might tell him I am a farmer, I would like him to tell me how he can take milk and by adding cream bring it up 10 per cent butterfat and then churn it and leave 2 per cent butterfat in it; I want to know how that is done?—A. That is the only way I can tell you. I tried to make it plain. Unfortunately, I am not a practical man, and the only thing I can tell you is if you would like to come down I can show it being done.

Q. I have done a lot of churning in my day, both by dash churn and by other churns and I know what I am talking about, whether it is the old dash churn or the other churn, it is just the same, and I don't know yet how you could get that 2 per cent butterfat in it, when you take out the butter you take out all the butter?—A. We do practically put in the butter, but as I told you we started off with 10 per cent—

Q. I know about that. You say you took 10 per cent off. What I want to know is how you leave that 2 per cent in and take 8 per cent off—A. I can't answer that.

Q. I don't think anybody could. I can see how it would work if you are making synthetic buttermilk, how you could put 2 per cent butterfat into it, but if you are going to put it through any churning process, I can't see how you can leave that 2 per cent in?—A. I can tell you this, sir, we don't make synthetic buttermilk in our plant; ours is churned buttermilk.

By Mr. Mullins:

Q. There is no culture in it?—A. The usual process. I will tell you what I will do. I will be very glad to send you a full description—I don't believe I have it here—on how we make our buttermilk.

Q. Let me ask you, do you use any culture; do you put any powder in?—A. We put no powder in.

Q. Nor a cube of any kind?—A. No.

By Mr. Boyes:

Q. Regarding that question, I would like to understand this, that you would add a culture to the cream before you churned it so as to get the right percentage of acidity?—A. You have got to do that to make butter generally and as I said we went through the usual processes of making butter.

By Mr. Pickel:

Mr. Aird, you say that your buttermilk is made just the same as it used to be made in the old dash churn?—A. No, I say it is as nearly like that as we can possibly make it.

Q. It used to be the process in making butter in the old dash churn to get all the butter out of it?—A. Yes.

Q. There might be a little stay in but not much after it is strained, there would be no butter curds in it, so that it is rather obvious that if this is used for making butter the buttermilk is actually a by-product?—A. Of course, buttermilk is a by-product after churning butter, but the point which I am making is this, that the milk which goes into that is not a by-product and it is purchased as fluid milk.

Q. But you get the butter?—A. Certainly, and take a loss on it.

By Mr. Vallance:

Q. Now, when you churn milk, you say that that is not a by-product, but we realize that it is a by-product of the cow because you churned it, what do you allow for the butter in order to arrive at a price of 8 or 10 cents for a quart of buttermilk; what do you allow for the butter? You pay the same prices for milk from which you make buttermilk as you do for the fluid milk which you deliver through the city?—A. Yes.

Q. When you get your butter made you charge for the butter, and you say you sell your buttermilk for 8 or 10 cents per quart, and that you are probably selling the whole milk at 11. That is a difference of 3 cents—8 and 11—3 for the whole and 8 for the butter. Do you get just the equivalent of 3 cents for the butter taken off the milk, making the whole operation 11 cents?—A. That is a very involved question. I can't answer that.

Q. That is what is sticking in the crop of the producer?—A. I know; but the volume of buttermilk is so small it practically amounts to nothing,—the few quarts of buttermilk sold to-day by our company are neither here nor there.

Q. Well, in the whole sales of your company that you mention, does that include the buttermilk with the whole milk?—A. Yes, and that volume of buttermilk is sold—it is only a few hundred quarts a week.

Q. You haven't got the volume of both with you?—A. No, I have not.

By Mr. Brown:

Q. What proportion of your milk do you pay for at surplus prices?—A. For the ten months ending January, 1933, 15·8 per cent.

By Mr. Loucks:

Q. What is the difference between the price you pay the producer for the month of June, the difference in the spread to the producer? What is the price in June? I give you figures from a consumer in January. I want to find out what would be the difference to the producer. Naturally there would be—A. In June?

Q. There would be a big production of milk in June?—A. You want to know—your question is what is our spread in the month of June?

Q. And in January, that is to the producer, the price.—A. You mean—

Mr. VALLANCE: The spread between what you actually paid.

The WITNESS: What we actually paid?

By Mr. Loucks:

Q. To the producer. There would be a spread between the price you would pay in January for milk.—A. In the month of June the producer got 3·4 and in the month of January, 1933, 4·1.

Q. I want to give you some more figures from a consumer in Montreal. Here is what this consumer says they paid for the month of June, that is 1932. They paid 10 cents a quart for milk in June. They paid 6 cents a pint for milk in June. They paid for cream the same, that is 2-X, 50 cents. They paid for buttermilk the same, 10 cents in the month of June. That is different from in January. That is the consumer. How do you account for that, when you cut the price to the producer between January and June?—A. We did not cut the price to the producer. We raised the price. The producer got 4·1 in January against 3·4 in June.

Q. Yes, to the consumer; that is what we are trying to get. We are trying to find out what this spread is, what the spread is between the producer and the consumer. You charged the consumer practically the same in June as you charged in January?—A. No.

Q. But you cut the producer?—A. No, the producer paid one cent more in January than in June—the consumer paid one cent more and the producer got more, both of them.

Q. Here are the figures again that the consumer paid. We admit for milk you paid one cent more a quart; but by the pint, paid exactly the same, 6 cents a pint in June.—A. A pint?

Q. Yes, a pint.—A. For the simple reason pints are so small that they don't enter into it, and you can't split cents in half.

Q. Take cream, cream is the very same exactly, 35 cents in June and January. Buttermilk is just the same in June and January. There is no difference to the consumer, only with milk?—A. That is right.

Q. How do you explain that? Who gets the profit? The farmer does not, but the consumer pays the same?—A. Well, frankly, gentlemen, that item of buttermilk is so small that it does not—it hardly enters into the picture at all.

Q. Just one more thing. This consumer says they consumed 14½ quarts of buttermilk in the month of June and they have consumed 15½ quarts of buttermilk in January. That is only one consumer.—A. They consumed that much buttermilk?

Q. That is just one consumer?—A. There are very few like that in the city of Montreal.

Q. I am just giving one.

Mr. SHAVER: Colonel Mullins.

The CHAIRMAN: Any other questions?

By Mr. Bertrand:

Q. How much do you pay for the milk, or how much did you pay for milk in the month of February, the association price?—A. This February?

Q. Yes.—A. 1933?

Q. Yes.—A. $1.35 for the regular milk.

Q. How much do you pay for surplus?—A. $1.10.

Q. $1.10 for surplus milk?—A. Yes, $1.10 for surplus milk.

Q. That is always, of course, less transportation to the producer?—A. Less the producer's delivery expenses, yes.

Q. Just about 25 cents per 100 pounds?—A. I could not answer that. It may be. It is whatever it costs him.

Q. Do you get your cream out of surplus milk, sweet cream?—A. A small part of it.

Q. Where do you get the balance?—A. We buy it from cream shippers.

Q. How much do you pay for your cream?—A. We have not got that figure here.

Q. That would be rather important to have.—A. I beg your pardon?

Q. Could not you have your secretary supply you with that?—A. We have not got that figure here with us.

Q. How do you buy your cream?—A. What do you mean?

Q. On the butter fat basis?—A. Yes.

Q. How much do you pay per pound of butter fat?—A. I told you I cannot answer that. I have not got that figure.

Q. Could not your secretary supply you with that?—A. We have not got it here. If we had it here, I would be very glad to give it to you.

Q. That is a very important matter. We understand that there is quite a volume of sweet cream sold under different classes of cream, which are called two-X I suppose or otherwise, and table cream and homogenized cream, and the like?—A. Yes.

Q. And if you just buy that on the butter fat basis, on what do you base your butter fat basis to pay the producer?—A. We buy cream from the producer on test, butter fat. Cream must be sold, according to the law, in certain specific standards, as the cap on the bottle in which the cream is sold must state what the content of that bottle is in butter fat.

Q. Would you explain how you work that out?—A. Very easily. It is worked out that if you sell 10 per cent cream, there is 10 per cent butter fat in the cream in the bottle. If you sell 30 per cent cream, there is 30 per cent cream in the bottle, and the same applies to 40.

Q. But you cannot give us the price you are paying for that cream?—A. No. I will be very glad to give it.

Q. And the price you are selling at?—A. I will be very glad to get this for you. I have concentrated more on milk here than I have on cream.

Q. Yes, but cream is apparently—the more we advance in this inquiry and the more information we get, we find that cream is a very big item.—A. Yes. I can answer that question in this way, that the price we pay for sweet cream is considerably in excess of the price of churning cream. It varies. It has a direct relationship to the price of churning cream.

Q. Now you said a moment ago with respect to prices, that certain members of the association or representatives of the association were getting together with the representatives of the producers and fixing the prices from time to time. On what basis do you fix those prices to be paid to the producer?—A. Well, through experience, there has been a set selling price. For instance, to-day or in January it was 11 cents, and if it comes about that there is a surplus of milk or a shortage of milk, either some member of the producers' association

or some of the distributors in the city will call a meeting, and at that time the price to the producer is discussed. Now, the price of cheese and the price of butter have a bearing on this price.

Q. What bearing has it?—A. It has this bearing; as I mentioned in my statement that there is anywhere, I believe, from 60 to 75 per cent more milk produced than is consumed; and if the price we have agreed to pay to the association is such that some of the producers who are only able to get an abnormally low price for cheese or butter that they are trying to find a market in the city at whatever they can get above those prices, that has the effect of breaking down the agreed price which we have with the producer. We find ourselves in the position of meeting cut price competition from two sources, cut price competition from the farmer or the producer, and cut price competition for our own distributor in the city.

Q. Would it be possible that you welcome competition from the producer?—A. I definitely state in this report here that our company adheres strictly to their agreement.

Q. Oh, yes—.—A. And I can tell you frankly—

Q. —that is not my question at all. I am just asking if you welcome that kind of competition?—A. No, we don't.

Q. All right.—A. May I answer why we don't?

Q. All right.—A. Because that has a tremendous bearing, for the simple reason that I believe to-day that the producer is not getting enough money for his goods, and we do not welcome it because it is destructive competition. We welcome all kinds of competition, but not destructive competition.

Q. Well, taking it from this point of view, then, when you say that the price paid to the producer for the production of cheese and butter is a determining factor in the price that is to be paid to the producer who supplies you with fluid milk, is that or would it be a fact that you take into consideration the price or the value of that milk and adding a certain percentage of what you think it would cost to produce milk which you use as fluid milk, in fixing your price?—A. No, there is no such formula for working that out. We do the best we can with the producers. That is, we have tried to pay them as much as we can.

Q. There would not be another formula—would it be possible that you would take into consideration the possibility of your sales and deduct from that what you call your spread, to fix your price to the producer?—A. If we had done that, would I have been able to give you the figures that I did, that we are absorbing the quarter of a cent a quart for the ten months this year over the year last year?—A. We don't do that.

Q. A quarter of a cent a quart is not so very much?—A. A quarter of a cent a quart is a tremendous pile of money, in our volume; taking a quarter of a cent a quart on our turnover is an awful pile of money.

Q. A quarter of a cent a quart is only 10 cents per hundred pounds, is that so?—A. Pardon.

Q. Is it not a fact that a quarter of a cent a quart is only 10 cents per hundred pounds?—A. Yes; and on 22,000,000 pounds makes it $22,000.

Q. 22,000,000 pounds?—A. 22,000,000 pounds, if I can figure properly is $22,000. That is what a quarter of a cent a quart means.

Q. $22,000 would not be so very much to you, because you said $10,000 was not so very much in bottles?—A. Well now, that is a different proposition, of course.

Q. Yes, that is a different proposition for you, but not for the producer?—A. I would like you to believe me when I tell you that we are anxious to pay the producer a fair price, and that the reasons that we are not able to pay him a price to give him a fair return to-day, are reasons beyond our control; cheese, butter producers and irresponsible distributor competition.

Q. During the questioning of previous witnesses in this inquiry this question was put to one of the witnesses, "Then you take the possible selling price to the consumer and deduct your spread to fix the price to the producer"—.—A. We do not.

Q. Wait a minute; it was one of the members who said that you sit amongst other representatives of the companies and the dairies, in fixing the prices, and his answer was this: "Yes, sir, which ever way it moves, the producer either gets it or it is taken off him."—A. I can only answer for myself, not for what somebody else has said.

Q. Well, you were sitting together apparently, according to what this gentleman said?—A. I might hear him say that, but that does not mean that I concur in what he says. I have given you figures there that our spread is a quarter of a cent less.

Q. Then when you sit together there are differences of opinion how to set this price, on what basis you do. I suppose you can't answer that, and I won't ask you.—A. What is your question?

Q. I said then when you are sitting together to fix the prices to the producer, there are different points of view on how these prices are to be set?—A. I should say so. We run our business.

Q. Now, in referring to this factor in fixing this price to the producer, this further question was put: "Do you take it from the possibility of the selling price and deduct your spread and give the balance to the producer?" Of course that is what happens?—A. Practically, yes; but there is this difference, that it is not all to the producer, as I have shown you from the records of this company—

Q. Yes?—A. —that our spread, the whole decrease was not passed on to the producer. I have already stated that. I have given you figures.

Q. We will admit that. Coming back later, you answered Mr. Brown a moment ago who put a question as to what the producer would get if the decrease—if your price was decreased to the consumer, and you said eventually if we have to lower our selling price of forty cents per hundred pounds, it has to be passed on to the producer?—A. That is true. And why? How are we going to be able to pay the producer for goods if we do not get enough for the goods that we sell to pay our labour, pay our operating expenses, and have enough left to pay him for the goods that we bought from him? That is the answer.

Q. That just makes the point that I was trying to get at, that your selling price is taken into consideration, your spread deducted and the balance given to the producer?—A. Everything is taken into consideration.

Q. All right.

By Mr. Pickel:

Q. Mr. Aird, what is the standard percentage of cream that you buy?—A. It varies tremendously.

Q. You said you bought at a certain standard?—A. No, I say we bought it on a test.

Q. Butter fat basis?—A. A butter fat basis, whatever the butter fat content may be.

Q. Here is cream, 35 cents. What standard would that be? What butter fat content would that be, 35 cents a pint?—A. I don't think I have our cream selling prices here. Have you got those, Mr. King?

Q. What do you sell your cream for?—A. Have you got those cream prices, Mr. King?

The CHAIRMAN: You had better come up here. You may as well take that seat there.

The WITNESS: Can you ask me another question? I think I will be able to answer that.

By Mr. Pickel:

Q. Here is another item, 2-X cream; what does that mean?—A. I don't know. We don't sell 2-X cream.

Q. You sell just the one grade?—A. No, we don't. We sell various grades of cream. Some dairies call it various names. We sell, I think, these: 10 per cent, a 15, a 30 and a 40. I think I will be able to give you that just in a minute.

Q. Do you remember the price of your 40 per cent cream?—A. No. I think I will be able to give you that in a minute. I can't remember all those prices, unfortunately; they change so often.

By Mr. Bouchard:

Q. Is all your cream separated by separator?—A. We buy cream that has been separated on the farm. We sell a 10 per cent, a 15, a 30 and a 40.

By Mr. Pickel:

Q. What are your prices?—A. Per half pint, 8 cents for the 10 per cent, 12 cents for the 15, 20 for the 30 and 25 for the 40.

Q. And how does that figure out per hundred—do you buy it per hundred? —A. No.

Q. Do you buy it by the gallon?—A. No, we buy it by pounds of butter fat.

Q. Oh, yes. What price does that figure out to the producer, 40 per cent cream?—A. I can't answer that. I have not got that figure, but I can get it.

Q. You can get it?—A. Yes, I can have it worked out.

Q. Will you have it sent to the Chairman?—A. Yes, I will.

Q. Not only the 40 per cent, but the 10, 15 and so forth?—A. All right.

Q. Just how that figures out?—A. Yes. Of course I would like to point out on cream, that the returns of cream are exceptionaly heavy; and that when cream comes back, there is only one outlet for it, and that is butter; and as we pay a premium for sweet cream, there is a very considerable loss entailed in that.

Q. Mr. Aird, how do you arrive at your surplus?—A. How do we arrive at our surplus?—

Q. Yes.—A. Each shipper is given a basis which consists of his average shipments for the six months from September to February. Now then, during this period the surplus is divided equally amongst all shippers. In other words, during those six months the producers that we are buying from ship us their goods, and they are establishing their basis during the short production season for the high production season.

Q. These are all treated the same?—A. Every one; except as I said—I would just like to point this out that the company I head and represent, Elmhurst Dairy, are doing perhaps a very high class business in a certain section of Montreal, Westmount, Outremont, and some of the higher class sections of the city, and for that reason we get a terrible decrease during the summer season. In Westmount, Notre Dame de Grace, and Outremont, where the bulk of our sales are, our sales will go down, I believe it is right to say, for some weeks as much as 35 per cent.

Q. Now, Mr. Aird, I have some milk returns here, and in the month of October last one customer who sent 3,900 pounds of milk was credited with 769 pounds of surplus.—A. That is about 20 per cent.

Q. Another one who sent 8,261 pounds of milk was credited with 678 pounds of surplus?—A. Yes.

Q. Another, 4,759 pounds of milk, 385 surplus? How is it that they are not all treated alike?—A. Just this respect: each shipper is given a base which

consists of his average shipments for the six months from September to February. I would like to point this out, that we have tried to co-operate with the producer to make it easier for him on his farm. When I say we treat everybody on the same basis, that does not mean that every producer gets the same surplus, for the simple reason that we believe, and our producers believe that the man who produces his milk in the winter time, with the expensive feeding and so one is entitled to more money than the fellow who produces milk in June July and August. Now, our company has—there is a considerable amount of work entailed in trying to do this, but what we are trying to do by this policy is to even up the flow of milk from the producers from whom we are buying, so that we will have a more even flow of milk, and that surplus will be continuously less. That is why, Dr. Pickel, all producers do not get the same percentage of surplus; that is the reason. It is whatever his base is. I have one shipper that I was looking at just the other day, a shipper who shipped on a base of 75 pounds a day, and a couple of weeks ago was shipping us nearly 400 pounds. A producer like that, who ships you 75 pounds one day and then 400 pounds, it is impossible for us to operate with producers that way; and our producers I believe are satisfied with the treatment that they get from us, because whatever their base is, they know. It is not guess work. They know

By Mr. Loucks:

Q. Would you say that there is no compulsion, that a producer can vary as much as that, from 75 to 400?—A. Yes.

Q. And there is no compulsion in your contract with the producer?—A. We have no contract except our word; and after all, that is a better contract than any written one.

By Mr. Pickel:

Q. Here is a gentleman who says that his dairy on the first of March paid 23 cents per pound butter fat?—A. Pardon?

Q. That is for cream?—A. Is that one of our shippers?

Q. Yes; with an average test of 30 per cent; that would be roughly 69 cents a gallon?—A. What month was that?

Q. March.—A. Have you got that bill? March of what year, this year?

Q. Yes.—A. March this year, he has not been paid yet. It is only March now.

Q. He said the first of March.—A. Well, he does not know.

Q. Paid 23 cents per pound butter fat. What are you paying per pound butter fat?—A. I could not tell you. We paid $1.10. Was that man shipping to our Richmond plant?

Q. Yes.—A. To Richmond? That is butter, that is butter. That is not sweet cream, that is butter.

Q. That is butter?—A. Yes, absolutely. Twenty-three cents is a fair price for butter in a country plant, at that time. I don't know what it would be—in fact I do not think we know ourselves what it is going to be.

Q. It is figured out at 69 cents a gallon for milk?—A. I can tell you that we paid $1.10 for our fluid milk for Montreal for the month of February, surplus.

Q. Now, Mr. Aird, yours is a subsidiary of Eastern Dairies?—A. Yes.

Q. Can you give us an outline of that organization, Eastern Dairies?—A. Yes.

Q. But first—just pardon me for a minute—you had a creamery at Richmond?—A. Yes.

Q. How long has that been established?—A. I think it is something around nine or ten years; I have not got the exact date.

Q. As far as the organization of your company is concerned, your company is part of the Eastern Dairies?—A. Yes.

Q. Who is the president of the company?—A. I am.

Q. Of Eastern Dairies?—A. Yes.

Q. Who is vice president? Just give us a list of them.—A. The vice president is Mr. P. A. Thompson.

Q. What enters into the organization of Eastern Dairies?—A. In Eastern Dairies, we operate in five cities, Montreal, Ottawa, Toronto, Hamilton, and Winnipeg—distributing companies in each of these cities. We have creameries, receiving stations and distributing depots out in the country to service these plants.

Q. What is the capitalization?—A. The capitalization of Eastern Dairies is—there are three million of bonds. There is one million seven hundred thousand underlying securities of our subsidiary companies, and two and a half million preferred stock of Eastern Dairies, and ninety-three thousand odd shares of common—no par value common stock.

Q. The capitalization is three million?—A. No, the capitalization is those figures I have read. There are four million two hundred thousand altogether of preferred 7 per cent, cumulative preferred stock; and three million of bonds, and 93,951 shares of common.

By Mr. Mullins:

Q. How much preferred?—A. There is two and a half million of Eastern Dairies preferred.

By the Chairman:

Q. Are those common shares no par value?—A. No par value, common, yes.

By Mr. Pickel:

Q. The total capitalization would be— —A. About seven million two hundred thousand.

Q. Under what name— —A. Really over nine million.

Q. Under what name are the Eastern Dairies operating in Toronto?—A. Acme Farmers Dairy Limited.

Q. And Hamilton?—A. The same thing.

Q. And Ottawa?—A. The Producers Dairy Limited.

Q. And in Montreal you have just one?—A. Elmhurst Dairy Limited.

Q. One plant?—A. No, we have the main plant and two distributing depots.

Q. What is the name?—A. Elmhurst Dairy Limited.

Q. Where are the distributing plants?—A. Elmhurst Dairy Limited has two distributing depots, one in the northeast section of the city and one out in Verdun.

By Mr. Mullins:

Q. Is this stock listed?—A. Yes, on the Montreal Stock Exchange.

Q. How much common?—A. 93,951.

Q. No par value?—A. No par value.

Q. Ninety-three thousand?—A. Yes.

By Mr. Vallance:

Q. Might I ask what is the maximum amount of butter fat there should be in milk to be sold as milk, or what is the least percentage of butter fat that makes milk into cream; what is your lowest content in cream?—A. It

varies in cities. As we are talking about Montreal, 10 per cent. You cannot sell a commodity in Montreal as cream unless it contains 10 per cent or more butter fat.

Q. All right. I suppose your organization indicates to your shippers the most economical type of milk to deliver to your factory; that is the percentage of butter fat in the milk?—A. We do not.

Q. You do not?—A. No; we pay a premium. We want the best milk they can produce.

Q. Did I understand you aright when you said you bought all your milk on the butter fat content of that milk?—A. No, you didn't. We bought our milk at the association price, plus three cents for each one-tenth of one per cent over 3·5.

Q. Over 3·5?—A. Yes.

Q. Your 3·5 is the bylaw that controls the sale of milk. That is the lowest butter fat content you can sell.—A. No; we want to sell a high quality milk. In order to do so, we pay the producer a premium to encourage him to produce a high butter fat content milk.

Q. The point I am trying to get at is this: is there an average of butter fat in milk that makes it more profitable to the producer than either a lower or higher?—A. Not if a producer—I would say, if a producer has high testing cattle and he produces—if our price is $1.60 for 3·5, and he gets three cents for each one tenth of a point, and if he produces 3·8 milk, he is going to get 9 cents a hundred more for his milk.

Q. The point I am trying to get at is this. The freight is so much per hundred pounds?—A. Yes.

Q. If he can produce and deliver to you a high butter fat content milk, he naturally lowers the freight charge for that milk because of the increased charge created by the increased butter fat?—A. Milk, I believe, is transported per can.

Q. A can?—A. Yes.

Q. Well, of course, there is a basis figured out on what a can would constitute?—A. Yes, it is per can; but that is not the way the railways convey it. The reason for paying the premium is to increase the production of better milk for three reasons. First of all, we want to sell the best milk we can get; it is not too good. The best is not too good. We want to sell the best milk we can; so we encourage that production by paying a premium to the producer; and as you gentlemen all know, there is surplus milk, and the higher the butter fat content of the surplus, the more the producer is going to get for it, and the more that we are going to be able to get for it. It is economical to do that.

Q. Well, your company is not in a position to say to a producer, if you produce milk, we will say, of 4·8, which is produced in some dairies—A. If a producer produced 4·8 milk we would be wondering—unless he has a special type of cattle—about the production of milk, where it is coming from, and we would be investigating to find out.

Q. You would not say it is not possible?—A. No, it certainly is possible with special types of cattle, Jerseys.

Mr. Brown: Some Ayrshires will, too.

Witness: Individual cattle, but not as a herd.

By Mr. Vallance:

Q. The point I want to get at is this: is there a milk of butter fat content that would give to the producer, taking into consideration freight and everything else, a greater return for his labour than any other plan?—A. I can see what you are driving at, but unfortunately I cannot answer that question, I do not know.

Q. Some say it depends on cattle? What is to prevent a shipper separating some of the milk and adding milk from certain individual cattle, because there are individual cattle in this country that could not come up to the standard set by law?—A. For the simple reason that it is illegal.

Q. In order for him to make his milk come up to the legal interpretation of what milk is, he must add butter fat to it from some source, either by the mixing of 4·8 with 3·5 or something else. It seems to me the producer to-day, should be told by your organization, if you like, that in order to get a greater percentage of profits on his investment, he should deliver 4·2 or 3·8, or whatever it is.—A. I can tell you this, sir: it is a thing we do right along, try to encourage the farmer. There are a lot of people telling the producer what he should do, but we are paying this premium to help out that very thing, to encourage him to produce a higher testing milk.

By Mr. Mullins:

Q. Do you operate any dairy herds yourself?—A. No.

Q. You have no dairies; you just purchase?—A. We purchase all our milk.

Q. There are four of you in Montreal, four large companies, is that correct?—A. Well, we call ourselves four large companies sometimes, it all depends; there are all sorts of companies. There are four large ones.

Q. Who owns the J. J. Jubert Company, your association?—A. You will have to ask somebody from that company; that I cannot tell you; that I do not know.

Q. You are not affiliated with it?—A. No.

Q. It is a separate company?—A. Absolutely.

Q. A separate organization?—A. Absolutely.

Q. Who comprises the board?—A. Of our company?

Q. Yes.—A. The directors are—

Q. I mean the directors.—A. A. J. Nesbitt, C. B. Price, P. A. Thomson, H. R. Trenholme and myself.

By Mr. Tummon:

Q. Are you able to give us the average price per hundred pounds for the year 1932, the cost price?—A. For the year ending March 31, 1932, the average purchase price of all milk, including surplus, was $1.60 per hundred pounds.

Q. You have not the figures, then, for the year 1932?—A. No; unfortunately, as I said, our year ends in March.

Q. Can you conveniently furnish the committee with this information?—A. Yes.

Q. Would you do that?—A. Yes.

Q. Can you tell the committee about when it was that the chain stores first started selling milk in Montreal?—A. Well, they have always sold milk from the time they opened.

Q. From the time they opened?—A. Yes.

Q. At what price were they selling that milk up until, we will say six months ago?—A. They were selling their milk at the same price as we were selling ours.

Q. At the same price you were selling yours?—A. Yes.

Q. Last night in one of the Montreal papers, I noticed an advertisement, advertising milk at seven cents per quart, value 10 cents per quart. That is not your milk?—A. No, sir.

Q. I presume that store must be buying its milk at about one cent less per quart—anyway, you probably would not know.—A. I should imagine so, I don't know.

Q. About when did chain stores start to feature milk?—A. Well I would say somewhere around last fall, possibly June, last June.

Q. When we mentioned the word "feature" what is meant there?—A. Well, at that time I understand milk was sold in Montreal—our price last June was, I think, 10 cents a quart, and for a short period, they were selling milk at 5 cents a quart.

Q. Certain chain stores?—A. Yes.

Q. Were featuring and selling milk at 5 cents a quart?—A. Yes.

Q. While the distributors were selling at 10 cents?—A. Ten cents.

Q. Up to a certain period, Mr. Aird, the chain stores, you say were selling milk at the same price that you were distributing?—A. Yes.

Q. Now, I think you have told us that they were selling milk at eight cents per quart?—A. Yes.

Q. The ones that you were selling were buying from you at 7 cents?—A. Yes.

Q. What about the conditions that made the change?—A. That will take a long time to tell you.

Q. It is interesting?—A. We were supplying one of the groups of chain stores in Montreal at our regular prices, and they were selling at our regular prices; and because of competition which they stated they were getting from one of the other chain stores, they demanded from us that we sell them milk which enabled them to sell at 7 cents. Well, for us to buy milk and handle it properly and deliver to them, that was an utter impossibility. We refused to do that. Then they started looking around to see what they could do. They no doubt were able to find somebody who would sell them milk to sell at that price. They also investigated—I am telling you the story as we know it from our talks with them—and went so far as to consider starting up a dairy of their own, to handle their milk. They definitely stated to me, and I discussed it with them, that they did not want to go into the milk business; they did not want to sell milk at lower than our price, but this competition was forcing them to do it. In order to protect our business, it was no joking matter, there was only one thing for us to do, and that was to try to maintain our connection with them. We have to get any money that we do get out of this business, we have not got a thousand things to sell, neither has any producer from whom we buy a thousand other things to sell on which to make money. And to protect ourselves, and to protect our producers—I am sincere when I say that—to protect both ourselves and the producer, to maintain a market for their milk, we were forced to give way and finally we offered to make arrangements with the stores that we did business with to sell their milk at one cent higher, or sell our milk at one cent a quart higher than the other store they were competing with, and that is what they are doing at the present time.

Q. As a result of the sale of that milk to the chain stores, what happened to the price to the consumer?—A. Well you cannot have stores selling milk at a great deal below your wagon price, and maintain anything like a volume on your wagons that is going to allow you to stay in business. They do not all go; they do not buy all their milk, as I pointed out, a great many of our customers buy a portion of their milk from their store, and depend on us for the actual service.

Q. You reduced the price of milk on your wagons?—A. We had, in order to protect ourselves, to reduce our price to the consumer.

Q. By how much?—A. One cent a quart, and up to now have not passed any of the reduction on to the producer, not because we can afford to do it, not because we can afford to absorb a cent, but simply because of the deplorable condition in which we find our producers, and ourselves at the present time. We are trying to carry on right along with them.

Q. Would you say that it is a fair thing to presume that if that keen competition given by the chain stores featuring milk continues, the producer will eventually be called upon to take a reduction in his prices.—A. I do not think there is any doubt.

Q. What, in your opinion, is the best method of delivering milk?—A. That is a tall question. I have spent twenty-six years of my life in the distribution of food. I am not going to make a speech, but tell you the facts. In order to properly service a city's milk supply, some type of house to house delivery is essential. Everybody cannot go to the stores, and if they could, the stores are closed approximately twenty per cent of the days in the year, and practically all nights. Now, people must have milk; babies must have milk when they need it; invalids must have milk, and in my opinion, based on experience, the most economical in the long run, is for all of the milk possible to be delivered by some type of vehicle direct to the homes, and the stores selling milk as a convenience only. Now, there are a lot of reasons why that should be done.

By Mr. Dupuis:

Q. Is there similar competition in other large cities? I understand you are speaking of Montreal now?—A. Yes.

Q. I heard you say you had plants in other large cities?—A. Yes.

Q. Is there similar competition in other large cities?—A. Very similar.

Q. In Toronto?—A. There is no chain store competition in Toronto.

Q. Is there any other store that sells milk?—A. Only in Winnipeg.

Q. Only in Winnipeg?—A. Yes, that is, in the cities in which we operate.

Q. Would you file with the committee average costs of distributing milk?—A. I have already given all those figures.

Q. Are you of the opinion that it would cost less to the consumer if there were only one distributor in large cities?—A. Naturally.

Q. How many distributors are there in Montreal?—A. There are, I think, 400 and some odd; I have not got the exact figures, but it is something like 410.

Q. In Toronto?—A. I have not got the figures, but I would say somewhere under 100.

Q. Under 100?—A. Yes.

Q. Is the price of milk less in Toronto than in Montreal?—A. No, the price of milk is less in Montreal to-day than in Toronto.

Q. What is the selling price per quart of milk in Toronto?—A. Ten cents.

Q. And in Montreal?—A. Nine cents. Of course, where the situation in Montreal has become acute since the first of March, it has changed the picture. The price should be ten cents.

Q. How much do you pay in Toronto and Montreal?—A. Well, milk is purchased on a different basis in Toronto to what it is in the city of Montreal.

Q. What is the basis?—A. In Toronto, milk is purchased delivered to the plant.

By the Chairman:

Q. Where?—A. In Toronto, delivered into our plant door; and the price compares very very favourably, there is practically no difference on the milk, because when we add to the cost of milk coming into the city and the cost of bringing it to the plant—

By Mr. Dupuis:

Q. What do you pay the producer in Toronto?—A. I think it is $1.40 delivered to our plant.

Q. Right to the plant?—A. Right to our plant door.

Q. Did I understand aright that you said in 1932 in Montreal you paid $1.60?—A. Yes, but you have asked me the price of milk in Toronto, not in 1933, and I am quoting the price to-day in Toronto.

Q. You do not know the price for 1932?—A. No, I have not got that, but I would say it compares very favourably with Montreal; they are practically the same all the way along.

Q. Winnipeg is much the same?—A. No, unfortunately.

Q. How do you sell milk in Winnipeg?—A. We are operating in Winnipeg at the present time under the rules and regulations of the Public Utility Commission. Our selling price for milk to-day is 10 cents delivered to the home. We get 7½ cents when we deliver to the stores, and the store sells at eight. It is a very undesirable situation.

Q. Is there a similarity between the spread in all those large cities of the buying price and selling price?—A. Taking the different things into consideration, yes, they are practically—

Q. The spread is about the same?—A. Except Winnipeg.

By Mr. Mullins:

Q. What is the name of the company in Winnipeg?—A. The Crescent Cream Company.

By Mr. Bertrand:

Q. You said you had about $9,000,000 in this firm as the capital a while ago. Is that the whole organization of your company, including eastern dairies, and so forth? Can you give us the amount of capitalization for the Montreal plant, Elmhurst dairy only?—A. Yes. It is about 8½ millions in the plant, and the other figure for the Eastern Dairies is about 8½ millions.

Q. For the Montreal plant?—A. No, the Montreal plant consists of 12,500 shares of no par value stock.

Q. That is all?—A. That is all, it is a wholly owned subsidiary.

Q. It consists of 12,500 shares of no par value stock, and to find their value you would have to go to the curb market to find their real worth?—A. Not at all; you do not find value of stocks on the stock market.

Q. What do you say your shares are valued at? At what are your shares reported?—A. That is a hard question. I do not think it is a question I would care to answer.

Q. If you are going to find out the amount of profit you are making, and what constitutes your profit per quart, we must find that.—A. I would be glad to file with the Chairman a statement of our balance sheet.

Q. Very well, that will be satisfactory. Would you also file with the Chairman a statement of the quantity of cream that you have purchased from milk skimmed in your plant?—A. Offhand?

Q. Offhand, during the last fiscal year, or the ten months of the last fiscal year, and the amount you had to buy from other places, stating where you bought it from.—A. Now, just a minute. I do not know that it would mean anything as to where we bought it from, or who we bought it from.

Q. Yes, it would mean a great deal. If we find out that your company has bought a lot of cream or milk and is selling a certain amount to a subsidiary company, it would help us a whole lot.—A. We do not do that. When we buy, the man we bought it from gets paid for it, and it is a purchase.

Q. Let us have the figures and satisfy ourselves.—A. It is a long list of names, Mr. Chairman. We buy from, I suppose, a thousand or two farmer producers, and to make a list of that sort showing that we bought fifty pounds from one man and fifty pounds from another, and so on, would take a month of Sundays.

Q. I will change my question and put it this way. What quantity was purchased from the producers or other dairies, and what quantity was purchased from other branches of your organization?—A. Yes, right. We do not buy from branches, we transfer.

Q. Very well. Then was the price paid for same on a butter fat basis, and the price that you are selling your cream per quart to the consumer?—A. I do not know whether I can answer all those questions, but we will to the best of our ability.

By Mr. Pickel:

Q. Can you give us any idea as to the cost of pasteurization?—A. Well, it is very hard to single out and say the exact cost of one method through which milk passes. I gave you the cost of dairy expenses.

Q. To shorten it up, we have had one witness here who told us it cost from five to six cents a gallon to pasteurize milk; is there anything to that?—A. I cannot speak for any other witness, but I can tell you this; it cost us 1·52 cents per quart to put it through our plant, and that is a little over six cents a quart.

Q. That covers all?—A. That covers all, the whole expenses.

Q. Bottling as well?—A. Yes.

Q. Do you sell certified milk?—A. No, sir, nothing but pasteurized.

Q. Have you any other plants outside the Richmond plant?—A. No, not owned by the Montreal subsidiary.

Q. Who are the stockholders of it?—A. Elmhurst, Eastern Dairies, Limited, or the directors with qualifying shares. All of the stock is held by the Eastern directors, except the qualifying directors' shares.

By Mr. Donnelly:

Q. I should like to ask the witness if he would file with the committee the complete financial set-up of this company since its inception, showing the amount of money put in, the amount of dividends paid, and the amount of money paid in from year to year since the inception of the company, in order that we may be able to arrive at some idea of the financial position of the company.

By the Chairman:

Q. Do you mean the Elmhurst or the Eastern?—A. I mean the Eastern Dairies.

By Mr. Donnelly:

Q. I would like to ask the witness if it is not a fact that all cream and milk going into the city of Montreal has to be pasteurized?—A. Yes, in the city; it must be pasteurized in the city.

Q. Is it possible for a producer to go to one of your dairies and have his milk pasteurized and then distribute it himself?—A. Not with us.

Q. You do not do any of that?—A. No.

Q. Are there any small dairies doing that business in Montreal?—A. Not that I know of, there may be.

Q. Are there any here in the city of Ottawa?—A. I cannot answer that; there may be. We do not do it.

Q. You do not do it?—A. No, sir.

Q. In any of those cities, do you know that there are dairies where milk is being pasteurized for the producers and the producer allowed to distribute it after?—A. I cannot answer that, I do not know of any. I know there are a lot of dealers buying milk from pasteurizing plants.

Q. I am pretty sure that there are small pasteurizing plants doing pasteurization for producers and allowing the producer to charge a cent or a cent and a quarter, depending on the amount of milk he brings in for pasteurization, and then allowing him to distribute it in the city.—A. There may be, but I have no definite knowledge of any one.

By Mr. Bouchard:

Q. Following the question that was put to you as to the best way of distributing milk, may I ask a question, without taking the trouble of reading a letter which was passed on to me by Mr. Power. It is more of a suggestion upon which I should like to have your opinion. It is a suggestion from Mr. L. G. Turgeon of Quebec. He suggested that as there are in the city of Quebec about 300 distributors of milk, the city should be divided into ten different zones, and in each of the zones there should be ten distributors and each distributor will be confined to his particular zone for his business. In that way there would be ten different distributors competing with each other in each particular zone. I should like to have your opinion on this suggestion.—A. Let us take the city of Montreal. I suppose most of you gentlemen are familiar with that part of the city known as Notre Dame de Grace in the western section of the city. Then, take the section of the city that I happened to have been born in. When I was born, there were fairly decent respectable people living there. To-day, what is it? Manufacturing, practically nobody living there. They have all moved out to Westmount, to Outremont, to the north end, to Notre Dame de Grace. Now, supposing I find myself in the position of having that zone, I am automatically going to go out of business, and if you carry that along far enough, and not give me a fair chance to continue, in a very few years you are going to be back where you are now. I do not believe it is possible.

By Mr. Loucks:

Q. What was the butterfat content of the sweet milk delivered to your customers?—A. It is around 3·7; it varies through the year as the cows freshen.

Q. Is there any minimum standard?—A. 3·25 is the city minimum.

Q. The city decides that?—A. We have our own chemist.

Q. And this milk which comes from the chain stores and is sold cheaper than you are selling it must come up to that standard?—A. Supposed to, yes.

By Mr. Spotton:

Q. I wish to congratulate the witness on the fine evidence he has given; but in Ontario that name, Aird, means investigation?—A. It also means that in Quebec.

Q. Now, you gave us the different percentages in the making up of the spread at so much for bottling and pasteurizing and it comes to so and so, and leaves a certain percentage per quart to profit. Now, I think that this committee should have more than that. I think that this committee should, if they are going to get to the bottom of this thing—and if they are not going to get at the bottom of this thing I am going to withdraw from the committee—should go much further than that. Some of us are growing old, and if we are going to do anything for our people I believe now is the time; and this is only a forerunner of other instances like packing houses and stockyards that are going to be brought on the carpet. Now, I am not finding fault with your figures, because figures cannot lie; but accountants are wonderful figurers. Now, that is a nice statement you have given us if I am to open my mouth and close my eyes and just take that in and say that tastes all right. But I want to go back further—and this, perhaps, is not for Mr. Aird—this will be rather something for the committee to decide. I have not been here at all of the meetings of the committee I regret to say, but one manager gave us his salary at $5,000 with $4,500 for travelling expenses, and another one gave us something similar but reversed—I think it was about $4,500 for salary and $5,000 for travelling expenses. Now, we would like to know how your per-

centage for executive is made up. You know that Andy told Amos that he would do the thinking as he was the executive and he had to do the thinking, but the moral to that is this, that the producer no longer is going to come up against any kind of a wall and be told, "here are the figures; take them or leave them." Now, if that is to be the attitude of this committee, I am not going to waste any time; I am going to go out and make snowmen—it will be more helpful. But I would like to get at the details of your capitalization first, of your parent company, of the subsidiaries which you have brought or have started and other capitalization—your salaries, your sub-subsidiaries, your interlock directors— A. There are none.

Q. Your public stock, if any, is issued, whether you have split it in fours or fourteen. I want to know what your horse feed costs. I think one gentleman said that it took about $170 for a horse and $60 a year to shoe him. Now, they might tell the chinamen that, but you cannot tell the farmer that. Now, perhaps that is in your figures—I am not saying it is or not—but I am from Missouri, Mr. Chairman, and I say that so far as I am concerned a real qualified accountant or auditor should take a view of these companies and give us in detail just how these different items in the spread are made up. We have heard nothing more today than we heard several weeks ago; it is the same old story, and it is all about the same. But if we are going to satisfy the people that a man starts his business with $250—the member for Wentworth tells me it was $150—and builds up a plant worth $2,000,000 which is owned by himself and his son and his daughter-in-law and his son-in-law or his aunt or grandfather—just a family connection—and it is not all there; he is wise enough to have something in Victory Bonds, because he is a shrewd business man with reserves in addition—now, that is much better than farming. What I want to get at, and I am not asking for a decision of the committee today, although I am asking for a decision of this committee after they have considered this matter—the next time we meet we should go at this thing like men and not like a lot of kindergartners. I think it is very necessary that we should know how this spread is going. We should have more than just a financial statement—no doubt carefully prepared and brought in here and accepted by us. I want to go back and find out if this statement is correct. I am not going to ask this gentleman his salary or the salaries of the various men, because you, Mr. Chairman, did not give a ruling. One firm gave us that information another firm refused to give it. Now, we are sitting here representing the Supreme Court of Canada, the parliament of Canada, and if our reference will not allow us to get all the information we want then I think we should refer this matter back to the house and get that permission and then go at it like men, instead of sitting here every day and have the same old story and wearing larger patches in our pants.

By Mr. Wilson:

Q. Mr. Aird, I would like to ask you one or two questions. You referred today to a branch in Winnipeg—A. Yes, sir.

Q. It was under the Public Utility Board?—A. Yes, sir.

Q. Do you like it under the Public Utility Board?—A. No.

Q. Is the price fixed to the producer under Public Utility?—A. Yes.

Q. Is the spread fixed under Public Utility?—A. No.

Q. Are you sure of that?—A. Positive; for this reason, the selling price is fixed but not the spread.

Q. The selling price is fixed and the price is fixed to the producer?—A. Yes—No. I can answer that in this way. You can set the price to the producer, and you can set three or four selling prices, but you do not set the spread for the simple reason that at the time that that ruling came into effect our price to the

consumer was 10 cents and our price to the stores was $7\frac{1}{2}$ cents, and our percentage of sale to the consumer direct was so much at 10 cents, but unfortunately our sale to the consumer has slipped about 45 per cent, where it used to be 80 per cent, and we are getting $2\frac{1}{2}$ cents a quart less, which is almost a dollar a hundred with which to pay the producer, and we are losing money.

Q. Is the price set to the producer?—A. Yes.

Q. What is it?—A. It is about $1.55 average, I think.

Q. Is that for the whole year around?—A. It was set subject to change.

Q. Who sets the price in that connection?—A. The price was set by the Commission.

Q. Do you think the way the price is set now is a fair one to the producer? —A. No, I do not. I do not think it is fair for two reasons: it may not be enough, and it is too much over butter.

Q. Would you be averse to someone sitting in there along with the representative of the producer and of the distributing companies as a man who would have some say, because you must admit that the producer has no say now?—A. I do not admit that.

Q. You do not?—A. No, sir.

Q. Well, in all the evidence I have heard, even in your own evidence, the producer has no chance of getting his own back?—A. There has never been a meeting, I think, in the city of Montreal with our producers where the producers have had a grievance.

Q. Because they have had to accept?—A. They do not have to.

Q. If the producers do not agree, do you cut any of them off? In any of your distributing plants, if the producer does not agree to a thing, is he cut off from sending milk into your plant?—A. No. Because he continues to ship.

Q. You do not know of any instance of a producer being cut off?—A. Not personally, no; I do not.

Q. Perhaps you had better investigate some of your outside plants.

By Mr. Dupuis:

Q. Have you your books here?—A. I have some.

Q. Could you find out from your books if there are some producers cut off? A. I do not believe there was one.

By Mr. Vallance:

Q. Is your cost of distribution in various cities about the same?—A. Taking the various things in the cities into consideration, yes; there are some of them that are comparable.

Q. And your volume of business would not determine the distribution of it? —A. No.

Q. I was rather interested. I am somewhat like my friend Mr. Spotton, I have not been privileged to attend every meeting, because of other meetings I had to attend. In looking over the evidence given by some of the previous witnesses I noticed that in giving financial statements, speaking about the same thing as my friend Mr. Spotton, it seemed to me that there should be a further investigation of the whole set-up of most of these companies.—A. May I just say this, that these figures that I have presented to you to-day, gentlemen, are correct; and if you want to send an auditor into our plant we would welcome him to go through our things. If the insinuation is that these figures are cooked figures I'd like to see somebody go in and check them. These aren't cooked figures, I don't give cooked figures.

By Mr. Spotton:

Q. We are from Missouri.—A. Well, you are welcome to see them.

By Mr. Brown:

Q. I don't say the figures are cooked up. Still there are some details we would like to have in order that we may arrive at our own conclusions. For instance, there was a statement made about the annual cost of wagons and sleighs. Just take that one item, wagons and sleighs. In one case it was nearly $4,000, and in another it runs $3,000, then further on in the same statement there is depreciation allowed on delivery equipment, and that includes $7,297.61. Now, I would like a fuller explanation as to why in the one case they should allow an annual charge of $3,000 to $4,000 on wagons and sleighs, and then later on depreciation of something over $7,000 on delivery equipment. Now, that may be all right, but there is nothing here to show us that it is all right, and the present witness has not even submitted details to that extent, and I really think there is something there that should be investigated, and when this company comes before us again I am going to ask for an explanation on that point. I would like this witness to furnish us with similar figures in regard to his own company. It is all very well to say that the expenses of delivery are a certain percentage of the spread, or of whatever it is based on, but it does not really give us very much information, and I heartily back up what Mr. Spotton has said—if we are going to get anything that will satisfy the people, we must have more in the nature of information than has been given to us so far, on this matter of delivery charges, and just what makes up that spread.

By the Chairman:

Q. I would like to ask a question or two, if I might. The estimate that you gave, Mr. Aird, bearing on the cost per quart, was for fluid milk, was it not?—A. Yes.

Q. Well, in your statement, speaking generally, have you segregated your operations in fluid milk and cream?—A. Not generally; no.

Q. You mean to say that you have not separate accounts for, say, buttermilk; for cream; and for butter?—A. No.

Q. Well then, in your distribution of costs for instance, on the same wagons you will have fluid milk, you will have buttermilk, you will have cream, and perhaps butter?—A. Yes.

Q. How do you estimate your distribution cost on fluid milk? How can they be estimated as you have them there?—A. These expenses are supplied for the various products sold, in their proportion. For instance, labour that goes into the making of butter, is charged up to butter, the labour in handling milk and cream is charged to milk and cream, and these figures here are taken and the milk is charged with a fair proportion of them—we don't do that generally for our own use only at the end of the month, month by month.

Q. Well then, the fact of the matter is that the committee is suspicious that perhaps higher profits are being made in these other operations than the fluid milk, and that that is where the bulk of your profits come in, and they haven't been accounted for. I think that is a fair statement of the attitude of the committee. What have you to say in regard to that?—A. Cream is profitable.

Q. More profitable than your .3 cents—what did you say it was a quart?—A. Our .5 cents, yes.

Q. So that, after all, in your operations you are only giving us a part?—A. Milk only.

Q. Part of your operations, part of your profits—you have not given us the whole story.—A. No, I am dealing with milk only here.

By Mr. Pickel:

Q. What about ice cream?—A. We don't sell ice cream in Montreal.

Q. You don't handle that?—A. No.

By the Chairman:

Q. It seems to me very important that we should have the whole story in regard to your operations?—A. I will be very glad to give it to you.

Q. The product all comes from the farmers in the first instance, and if you are making higher profits in some cases than in others, in some branches of your business than in others, we should know the whole thing. I want to ask you another thing, too; the question was asked the other day, the matter of salaries was brought up—are any of your profits hidden in your salaries?—A. No sir.

Q. I am not suggesting that they are. You stated you made a profit of .3—A. .53.

Q. A profit of .53 cents a quart. Are you paying your depreciation, your operating costs and your capital charges out of that, and still making a profit to-day?—A. We have the other products as well, that is only the milk part of our business.

Q. Another question. The city of Winnipeg, I understand, has a Public Utility Board governing the sale of milk, to a certain extent, within the city. Do they prohibit the featuring of milk on the part of the chain stores?—A. Yes, the price for the chain store is set at two cents below our wagon price and they have inspectors checking up continuously on that.

Q. But they don't undersell?—A. They are not allowed to undersell that.

Q. Another question then, in the matter of bottles, would you object to some kind of compulsory legislation in making all the companies and all the distributors charge for their bottles?—A. I would not object to it, but we would have a terrible time to do it, it is almost impossible.

Q. You don't think it is possible?—A. No, I don't think it is possible.

Q. Well, why is it possible in the case of other drinks; it is done in almost every other thing.—A. For the simple reason, sir, that we have a definite contact with our homes 365 days of the year, and take in the case of ginger ale, or something like that, they leave it by the case, there is a fairly big charge for the case and the bottles, and it is intermittent delivery, and when you try calling at a home 365 days in the year—the actual bottle loss, about 70 per cent of that comes as breakage. You must remember that here with the severe winter conditions that we have to contend with, these bottles break. The cost of doing that, sir, I am afraid, will be equally as much or more than the bottles.

By Mr. Brown:

Q. You spoke about the ginger ale bottles, are you aware whether or not the companies that own those bottles charge their customers for them if they are not returned?—A. I think they do, as a general rule. I don't in my home. On the bottles that come into my home, there is no deposit on them, for ginger ale; I am pretty sure of that.

Q. Surely, there is a strange situation if the manufacturers of ginger ale who distribute their product in bottles are able to collect the price of the bottles from the customers and the milk producers can't. I think that is a story that is absurd, I would look into it.—A. It is just one of those things that are in the business that are pretty hard to explain away, but the fact remains that it is there.

Q. Yes, but it is one of those things that is put right back on the farmer, but he is most helpless in a case of that kind, and I think the public should know that.—A. No—

By Mr. Dupuis:

Q. In the city of Montreal, Mr. Chairman, I am sure by experience that when we break a bottle the distributors charge us for it. I have never known a company in Montreal who does not charge for these bottles.—A. Do you buy your milk from the store? If you buy your milk from the store, yes.

Q. No, not from the store, from the distributor, like your company or Joubert's, or any other company. If a consumer breaks a bottle, he pays for it.—A. We try to keep or bottle losses as low as we can. If we find a consumer breaking bottles, we will try and collect from him.

Q. I never had any milk from your company, but I had milk from many other companies when I lived in Montreal, and they charged it. I just say that for the benefit of the committee.—A. If you were buying milk from our company, and broke a bottle, we would not charge you for the bottle.

Q. You don't have your books showing that?—A. I beg your pardon?

Q. I believe you said a few minutes ago that you can send an investigator?—A. Yes, surely.

Q. If that charge is made against any customer, it would be in the books?—A. Surely, if we can find them. But they won't be there. We don't do it.

Q. I don't see how you can find out?—A. We have had one investigation last year already, and frankly, gentlemen, we rather welcome you to satisfy yourselves that these figures are right.

Q. I want to go back to another question, as put to the witnesses. You gave us a price in other large cities in Canada. Would you tell the committee if the milk is pasteurized in all other large cities? Is it pasteurized in Winnipeg?—A. No.

Q. No; is it pasteurized in Toronto?—A. Yes.

Q. In Ottawa?—A. No.

Q. No. Is it pasteurized in ——A. Hamilton is the other; yes, I think so. Of course, in each of these cities they are allowed to sell certified milk.

Q. In cities where it is not pasteurized, do you charge less for the milk?—A. No; because we only sell pasteurized milk.

Q. You sell pasteurized milk in Winnipeg?—A. Yes, only; I would not sell anything but pasteurized milk.

Q. You are not compelled to, but you do it?—A. We are not compelled to, but we do it.

Q. I see. Would you tell the committee if the price of distributing is lower to-day than it was years before; for instance, in the last four or five years back?—A. I only have here—I would be very glad to answer that if I had the figures, but I have not got them with me. I could supply them. This gives us the list for the ten months ending January 31 this year.

Q. Could you give the committee the costs for 1931?—A. I have not got that here, but I can get it.

Q. By memory you could not tell the committee what is the cost of distribution for 1928 and 1929?—A. Approximately the same as to-day. I believe our actual expenses are down, but our sales are down, and when you bring it to a quart basis, I think you will find it will compare just about the same.

Q. Could you give the price, the salary you pay to your distributors?—A. Yes.

Q. How much do you pay them?—A. Yes, I can give you that.

Q. How much?—A. They are paid on a commission basis.

Q. No salary?—A. It varies. A stated salary—they are paid a definite salary and a commission. I have not got that here. It varies quite a bit, depending upon the district.

Q. Would you give that to the committee?—A. Yes.

Q. Now, could you tell me by memory if the price that you pay the farmer is lower or higher to-day than it was four or five years ago?—A. Lower.

Q. How much did you pay in 1928 and 1929 up to date, year by year, an average?—A. I go back here as far as 1927. The summer price was \$2.03; the winter price was \$2.80. In 1928, it was \$2.80 for the winter and \$2.03 for the summer; in 1929, it was \$2.81 and \$2.39½. In 1929——

Q. That is 1929 you gave?—A. That is 1929, yes, \$2.81 and \$2.39½. In 1930 it was \$2.81 and \$2.03; in 1931, \$2.40, \$2.03, \$1.70.

Q. \$1.70?—A. \$1.70.

Q. What is that?—A. That was from June to April—June, 1931, to April, 1932. It stayed constant at \$1.70.

Q. \$1.70; could you give that by the quart?—A. Yes. What the producer received?

Q. What the producer received, yes. I just want to know—some of my colleagues in the committee want to know what you sold it to the consumer for by quarts, the same year?—A. Well, the high price for a quart of milk in Montreal was 15 cents.

Q. In what year?—A. That was in 1929, December.

Q. What was it in 1927?—A. It was around—it was 14 cents, I think it was; 14 cents.

Q. In summer and in winter?—A. No, it would be—I have the actual figures from 1930, but no further back for all the months.

Q. For the summer you have not got the figures?—A. Yes, I have from April, 1930, up to the present.

Q. But not since 1927?—A. No.

Q. You have not got for 1929?—A. No; I can get that.

Q. Could you provide that?—A. Yes.

By Mr. Taylor:

Q. I have here the report of the third meeting of the committee on the 7th of March, when Father Lebel was before the committee, and this is the statement he made:—

> Now, if we have to find similar prices to retail prices in former years we have to go up to 1912 when the retail price was 8·6 cents; in 1913 it was 8·8 the quart, and on that year the price received by the farmer was 5 cents, and the price of the distributor was 3·8 cents. And, if you remember, in that time nobody complained that the price then paid was too high—8·8 cents; suppose that in the winter months the price was 11 and 10, and that in the summer months the price was 8 and 9 and nobody complained that the price was too high, and then the farmer received 5 cents and the distributor 3 cents.

Now, I would like a word of explanation, if you can give it, Mr. Aird, as briefly as possible why you think now that the distributing price should be 5·17 cents, as you say, and the price to the producer 4·98 cents a quart?—A. Just this, that to-day the distributor does a great deal more than the distributor did in those days. You will find, if you go back at that time that the most of the milk was brougth in by the producer himself in a can, run up the stairs with the small can, and measured in it, and filled the jug and so on and so forth, and the costs were borne by the housewife in sterilizing her utensils, and so on and so forth. That is before pasteurization. I am only speaking about the company that I represent.

By Mr. Dupuis:

Q. I just want to stop you there; you say in those years; that was in 1912, around there?—A. Well, you went back to 1904, I think.

Q. 1904, all right. During those days did you have the machinery that you have to-day?—A. But, gentlemen—

Q. To fill bottles, clean bottles—all that machinery?—A. I think you are comparing different figures. You cannot take a group of figures in one city where some distributors are distributing pasteurized milk and others are dis-

tributing raw milk, and the producer coming in himself and selling at an exceptionally low price and losing the money that they do lose, as some of them do in some cities.

By Mr. Taylor:

Q. That is for Montreal in 1913?—A. All right, in 1913; pasteurization became compulsory in July, I think, 1925; and I cannot tell you offhand how many companies were pasteurizing milk at that time, but if you are comparing figures for that period, with the ground of people who were delivering raw or pasteurized milk, and comparing it with our company's figures to-day, with the sanitary conditions that we have in our plant, and comparing that with decanning stuff out of a can, gentlemen, you are asking me to explain something that is entirely different. It is not a comparable thing.

By Mr. Spotton:

Q. When did you first start to bottle milk?—A. Our company started to bottle milk in 1910, pasteurizing in 1915, ten years before it was compulsory.

By Mr. Dupuis:

Q. I understand the witness told us it cost more because conditions are not the same?—A. Yes.

Q. Well, I understand that your company, like other large companies, has machinery that does the work that formerly was done by employees. Does it cost more, taking into consideration the cost of your machinery, and all those things, to bottle milk now than it did when your employees did it?—A. Naturally, if you had more, it costs more. The cost has been worth it. If you look, as pointed out in some cases here, at the death rate in Montreal, you will find that milk has played no small part in the decrease in the death rate; but at a cost, yes, but what was the cost before it went into milk?

Q. I should like a straight answer to my question.—A. That is a straight answer; I say if you had more, it must cost more.

Q. No, let us take 100 bottles, for instance, or a thousand bottles as you used to put them up before you bought this machinery, and the way you are doing it to-day. Does it cost more for the 1,000 bottles to-day than it cost in 1912?—A. I would say this, if you are going to bottle by hand, and bottle by machinery, that by machinery would be considerably cheaper. It is illegal to bottle by hand.

By Mr. Pickel:

Q. Is it not cheaper to deliver by bottle than in the old way by can?—A. Well, I never delivered in the can; unfortunately I cannot answer that question.

Q. It should be quicker.—A. I cannot answer that question. I have not the figures.

Q. Do you not agree that all of these big improvements for the benefit of the consumer takes the cost out of the farmer?—A. No, I cannot agree with that.

By Mr. Moore:

Q. Why not; what about pasteurization?—A. For the simple reason the producer does not pay; it is the consumer that pays. That is the person who, after all, pays.

By Mr. Pickel:

Q. The consumer is not paying as much as he used to do.—A. Here is one question that I think is lost sight of. That is, what is surplus milk worth? Now,

you say the producer pays. What is surplus milk worth? It is milk that cannot be consumed in a city to-day. Now, if the producer was getting less than that or considerably less than that, he might be paying, but he is not. The producer is shipping milk into the city for fluid consumption and getting very considerably more than the product is worth for any other product, and therefore I claim he is not paying—

By the Chairman:

Q. Let me ask you the question in another way:

By Mr. Spotton:

Q. Mr. Chairman, the question asked by Dr. Pickel is this: the consumer is paying less, the producer is getting less, and how does it come about? Then, in regard to this surplus of milk, Mr. Chairman, if you are going to carry on this surplus business, I think it is a joke. Every other merchant is buying goods and taking a chance of being short or having something on hand at the end of a season, and why should not these men do the same thing. Every one of these men that I have come in touch with, have made millions, and why should not they play the game, buy a certain amount of milk and sell it? If they cannot meet the demand one day, some other person will, and in that way play the game.—A. I can tell you sir, we do play the game. We do take our surplus. It cost us one-tenth of a cent a quart for every quart sold for surplus in January, 1931, and the difference between us and the other fellow who is buying goods, is that he can tell the other fellow "We do not want it at all."

Q. When was that surplus joke started?—A. It is very a serious question.

Q. When was it started?—A. I suppose the first time the cows started to give milk. It has always been.

Q. When did you start calling a certain percentage "Surplus milk" and lower the price to depress the association price; when did that start?—A. We do not do that.

Q. That did not start in the Garden of Eden?—A. I was not there.

Q. When did you start figuring up in Montreal that one man had a surplus —I think I should say I think your company has played fair—A. Thank you.

Q. But some of them have not played fair. There are some cases in which the surplus amounts to about one-half.—A. Am I here to answer for other companies? I can only talk for my own company.

Q. I am asking when did you start figuring on surpluses?—A. Ever since I have known this business. We have had the surplus problem always.

Q. How long is that?—A. I think Mr. Chairman, the company that I represent played the game on this.

By the Chairman:

Q. I think what Mr. Spotton is trying to get at is this: when did you start paying two prices?—A. Well, I guess it would be before I was born, sir, I don't know.

By Mr. Tummon:

Q. Is the man from whom you purchase obliged to sell you all his milk? —A. No.

Q. He can just send you in a little, what he has under contract?—A. Yes.

Q. What his production is for the six months?—A. Yes.

By Mr. Bertrand:

Q. He has to live up to that contract?—A. No, he can give us just as he desires.

By Mr. Boys:

Q. I believe the producer feels this, that you establish prices. We know you do establish prices for surplus milk. You have your price for milk, and the producer feels that while you are offering that price for surplus milk you can use it, or do use it probably for sweet cream purposes, and you are able, maybe, to make more out of it than you are paying him?—A. Well, I can tell you this, that the statement I made is true; that our surplus for the ten months cost us one-tenth of a cent a quart on our sales. That is subject to verification by auditors. It cost us that much.

Q. Did you use some for sweet cream purposes?—A. We did, but at the same time, we can buy sweet cream cheaper than we got the milk that went into the sweet cream.

By Mr. Dupuis:

Q. I would like to know from the witness if it would be possible through investigation in large cities in Montreal and Toronto to find out the quantity consumed and the percentage of surplus in each day in the year.—A. Every day in the year?

Q. I do not mean the average, the amount of the consumption?—A. By the time you would have found it out, so much time would have gone by, it would not mean anything.

Q. Could you not find out in Montreal, for instance?—A. How are you going to find out how much is consumed?

Q. You said there are so many distributors in Montreal?—A. Yes.

Q. Would not an investigator be able to find out how much milk they sell in Montreal?—A. Yes.

Q. Per day?—A. Yes.

Q. What was the percentage of your surplus milk on an average?—A. I think it is 15 per cent on our total purchase.

Mr. Dupuis: Mr. Chairman, I am just making a suggestion now. I think we have had enough witnesses to come to a conclusion along this line, and I believe we should make a recommendation to see if it would not be possible to have legislation passed compelling the distributors to pay the same price for all the milk they purchased.

Mr. Mullins: In Naples, they bring the cow around to the door, and milk it right at the door; I have come to the conclusion that that is the better plan.

The Chairman: We shall adjourn now to meet at the call of the chair; but before we adjourn I should like to make a statement in regard to witnesses. Witnesses are only supposed to come when they are notified by the Clerk of the Committee, in which case they are paid a per diem allowance and expenses. I am making this statement for the benefit of witnesses who may wish to come, not to come until they are notified by the Clerk of the Committee. Thank you, gentlemen.

Committee adjourned at one o'clock, to meet again at the call of the chair.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 21, 1933

No. 7A

Supplement to No. 7

Reference,—Milk and Milk Products

Documents filed by W. R. Aird, President Elmhurst Dairy, Limited, and Eastern Dairies Limited.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

SCHEDULE No. 1

EASTERN DAIRIES LIMITED, MONTREAL, AND ELMHURST DAIRY LIMITED, MONTREAL

Schedule Number	—	—	—
1	Annual Report	Eastern Dairies Limited......	March 31, 1932
2	Detail of issue of 6%—20 Year Bonds.........	Eastern Dairies Limited......	
3	Detail of issue of Common Stock.............	Eastern Dairies Limited......	
4	Detail of issue of Preferred Stock.............	Eastern Dairies Limited......	
5	Schedule of Bond Interest and Dividend Payments on Capital and Underlying Securities.	Eastern Dairies Limited......	
6	List of Officers...	Elmhurst Dairy Limited......	
7	Annual Report..........	Elmhurst Dairy Limited......	March 31, 1932
8	Balance Sheet...	Elmhurst Dairy Limited......	January 31, 1933
9	Surplus Account....	Elmhurst Dairy Limited......	January 31, 1933
10	Statement of Operations.....	Elmhurst Dairy Limited..	10 months ending January 31, 1933
11	Schedule of Sales Values and Expenses per unit	Elmhurst Dairy Limited...	10 months ending January 31, 1933.
12	Capital Stock Structure..	Elmhurst Dairy Limited......	January 1926 to date
13	Dividend Record.	Elmhurst Dairy Limited......	July 5, 1926 to March 22, 1932
14	Schedule of Extra Cost of Pint Bottles over Quart Bottles, based on prices in effect February 1933............................	Elmhurst Dairy Limited......	
15	Schedule of Average Selling Prices per Half-Pint of Cream and Cost of Butterfat per Half-Pint of Cream during the month of February 1933............................	Elmhurst Dairy Limited......	
16	Schedule of Quantity of Milk Purchased and Average Purchase Prices for the Year ending December 31, 1932........................	Elmhurst Dairy Limited......	
17	Schedule of Cream Purchases for the year ending December 31, 1932..................	Elmhurst Dairy Limited......	
18	Salesmen's Wages..........................	Elmhurst Dairy Limited......	
19	Comparison of Retail Sales Price per Quart and Purchase Price of Regular Milk.............	Elmhurst Dairy Limited......	

SCHEDULE No. 2

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD, MONTREAL

6 PER CENT 20 YEAR FIRST COLLATERAL TRUST CONVERTIBLE BONDS—"SERIES A"

Date	Amount	Discount
May, 1929..................	$ 3,000,000	$ 180,000

Schedule No. 3

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD, MONTREAL

COMMON STOCK, NO PAR VALUE

Date	Number of Shares		Consideration
March 1926	49,999	$ 5 00	$ 249,995 00
March 1927	900	11 36	11,250 00
April 1927	1,700	12 50	21,250 00
May 1927	7,400	12 50	92,500 00
December 1927	8,600	50 00	430,000 00
March 1928	500	25 00	12,500 00
May 1928	4,000	53 00	212,000 00
January 1929	1,000	51 00	51,000 00
March 1931	15,000	20 00	300,000 00
December 1932	4,324	20 00	86,480 00
	93,423	$ 15 70	$ 1,466,975 00

Schedule No. 4

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD, MONTREAL

PREFERRED STOCK—7% CUMULATIVE—PAR VALUE $100

Date	Number of Shares		Consideration	Commission
March 1926	12,500	$100 00	$1,250,000 00	$125,000 00
October 1926	500	100 00	50,000 00	5,000 00
November 1926	900	100 00	90,000 00	9,000 00
December 1926	2,600	100 00	260,000 00	26,000 00
January 1927	1,000	100 00	100,000 00	10,000 00
February 1927	400	100 00	40,000 00	
March 1927	2,800	100 00	280,000 00	
April 1927	1,200	100 00	120,000 00	
May 1927	2,200	100 00	220,000 00	
September 1927	900	100 00	90,000 00	
	25,000		$2,500,000 00	$175,000 00

Schedule No. 5

EASTERN DAIRIES LIMITED, MONTREAL

RECONCILIATION OF DIVIDENDS PAID BY EASTERN DAIRIES, LIMITED (HOLDING COMPANY) ACME FARMERS DAIRY, LIMITED, AND CRESCENT CREAMERY COMPANY, LIMITED, WITH TOTAL DIVIDENDS AS SHOWN BY EASTERN DAIRIES, LIMITED CONSOLIDATED OPERATING STATEMENTS.

Eastern Dairies, Limited—Preferred (April 1, 1926—December 31, 1932)		$ 1,113,525 00
" " Common (July 1, 1930—June 30, 1932)		166,948 00
Acme Farmers Dairy Limited—Preferred—(January 1, 1929—December 31, 1932)		196,000 00
Crescent Creamery Company, Limited—Preferred—(April 1, 1927—March 31, 1933)		420,000 00
		$ 1,896,473 00
Less:—		
Accrued Interest on Preferred Stock Eastern Dairies, Limited at date sold	$ 16,274 00	
Accrued Interest on Preferred Stock Acme Farmers Dairy, Limited at date of acquisition	12,250 00	
Inter-Company Dividends, 1928	10,722 25	
" " " 1929	427 00	
" " " 1930	2,068 50	
		41,731 75
Dividends Paid as per Consolidated Balance Sheet		$ 1,854,741 25

SCHEDULE OF BOND INTEREST PAID SINCE DATE OF INCORPORATION SHOWING ADDITIONAL COST DUE TO PREMIUM ON UNITED STATES CURRENCY

Date Payable	Period Covered	Rate	Amount	Cost of U.S. Funds
November 1, 1929	Six months	6%	$ 90,000 00	$ 1,549 57
May 1, 1930	Six months	6%	90,000 00	241 72
November 1, 1930	Six months	6%	90,000 00	9 11
May 1, 1931	Six months	6%	90,000 00	65 76
November 1, 1931	Six months	6%	90,000 00	10,755 24
May 1, 1932	Six months	6%	90,000 00	11,429 09
November 1, 1932	Six months	6%	90,000 00	8,312 50
Total Bond Interest paid since date of incorporation			630,000 00	32,362 99
Less accrued interest received at date of sale of bonds			6,904 11	
Net expense			$ 623,095 89	$ 32,362 99

SCHEDULE OF DIVIDENDS PAID TO SHAREHOLDERS ON THE 7% CUMULATIVE PREFERENCE STOCK SINCE DATE OF INCORPORATION

Date paid	Quarter ending	Shares Out-standing	Quarterly Rate	Amount
				$ cts.
July 15, 1926	June 30, 1926	12,500	1¾%	21,875 00
October 15, 1926	September 30, 1926	12,500	1¾%	21,875 00
January 15, 1927	December 31, 1926	16,500	1¾%	28,875 00
April 15, 1927	March 31, 1927	20,700	1¾%	36,225 00
Total for fiscal year ending March 31, 1927				108,850 00
July 15, 1927	June 30, 1927	24,100	1¾%	42,175 00
October 15, 1927	September 30, 1927	25,000	1¾%	43,750 00
January 15, 1928	December 31, 1927	25,000	1¾%	43,750 00
April 15, 1928	March 31, 1928	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1928				173,425 00
July 15, 1928	June 30, 1928	25,000	1¾%	43,750 00
October 15, 1928	September 30, 1928	25,000	1¾%	43,750 00
January 15, 1929	December 31, 1928	25,000	1¾%	43,750 00
April 15, 1929	March 31, 1929	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1929				175,000 00
July 15, 1929	June 30, 1929	25,000	1¾%	43,750 00
October 15, 1929	September 30, 1929	25,000	1¾%	43,750 00
January 15, 1930	December 31, 1929	25,000	1¾%	43,750 00
April 15, 1930	March 31, 1930	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1930				175,000 00
July 15, 1930	June 30, 1930	25,000	1¾%	43,750 00
October 15, 1930	September 30, 1930	25,000	1¾%	43,750 00
January 15, 1931	December 31, 1930	25,000	1¾%	43,750 00
April 15, 1931	March 31, 1931	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1931				175,000 00
July 15, 1931	June 30, 1931	25,000	1¾%	43,750 00
October 15, 1931	September 30, 1931	25,000	1¾%	43,750 00
January 15, 1932	December 31, 1931	25,000	1¾%	43,750 00
April 15, 1932	March 31, 1932	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1932				175,000 00
July 15, 1932	June 30, 1932	25,000	1¾%	43,750 00
October 15, 1932	September 30, 1932	25,000	1¾%	43,750 00
January 15, 1933	December 31, 1932	25,000	1¾%	43,750 00
Total for fiscal year ending March 31, 1933				131,250 00
Total dividends paid on preferred Stock since incorporation				$ 1,113,525 00

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF ACME FARMERS DAIRY, LIMITED SINCE DATE OF ACQUISITION APRIL 1, 1929

Date Paid	Six Months Ending	Shares Out-standing	Smie Annual Rate	Amount
		Shares		$ c.
August 10, 1929	June 30, 1929	7,000	3½%	24,500 00
February 10, 1930	December 31, 1929	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1930				49,0000 0
August 9, 1930	June 30, 1930	7,000	3½%	24,500 00
February 10, 1931	December 31, 1930	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1931				49,000 00
August 10, 1931	June 30, 1931	7,000	3½%	24,500 00
February 10, 1932	December 31, 1931	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1932				49,000 00
August 10, 1932	June 30, 1932	7,000	3½%	24,500 00
February 10, 1933	December 31, 1932	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1933—				49,000 00
Total paid since date of acquisition				196,000 00

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF CRESCENT CREAMERY COMPANY, LIMITED SINCE DATE OF ACQUISITION APRIL 1, 1927

Date Paid	Quarter Ending	Shares Out-standing	Quarter-ly Rate	Amount
				$ c.
July 15, 1927	June 30, 1927	10,000	1¾%	17,500 00
October 15, 1927	September 30, 1927	10,000	1¾%	17,500 00
January 15, 1928	December 31, 1927	10,000	1¾%	17,500 00
April 16, 1928	March 31, 1928	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1928				70,000 00
July 15, 1928	June 30, 1928	10,000	1¾%	17,500 00
October 15, 1928	September 30, 1928	10,000	1¾%	17,500 00
January 15, 1929	December 31, 1928	10,000	1¾%	17,500 00
April 15, 1929	March 31, 1929	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1929				70,000 00
July 15, 1929	June 30, 1929	10,000	1¾%	17,500 00
October 15, 1929	September 30, 1929	10,000	1¾%	17,500 00
January 15, 1930	December 31, 1929	10,000	1¾%	17,500 00
April 15, 1930	March 31, 1930	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1930				70,000 00
July 15, 1930	June 30, 1930	10,000	1¾%	17,500 00
October 15, 1930	September 30, 1930	10,000	1¾%	17,500 00
January 15, 1931	December 31, 1930	10,000	1¾%	17,500 00
April 15, 1931	March 31, 1931	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1931				70,000 00

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF CRESCENT CREAMERY COMPANY, LIMITED SINCE DATE OF ACQUISITION APRIL 1, 1927—*Concluded*

Date Paid	Quarter Ending	Shares Outstanding	Quarterly Rate	Amount
				$ c.
July 15, 1931	June 30, 1931	10,000	1¾%	17,500 00
October 15, 1931	September 30, 1931	10,000	1¾%	17,500 00
January 15, 1932	December 31, 1930	10,000	1¾%	17,500 00
April 15, 1932	March 31, 1932	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1932				70,000 00
July 15, 1932	June 30, 1932	10,000	1¾%	17,500 00
October 15, 1932	September 30, 1932	10,000	1¾%	17,500 00
January 15, 1933	December 31, 1932	10,000	1¾%	17,500 00
April 15, 1933	March 31, 1933	10,000	1¾%	17,500 00
Total for fiscal year ending March 31, 1933				70,000 00
Total paid since date of acquisition				420,000 00

SCHEDULE OF DIVIDENDS PAID TO SHAREHOLDERS ON THE COMMON STOCK SINCE DATE OF INCORPORATION

Date Paid	Quarter Ending	Shares Outstanding	Quarterly Rate	Amount
				$ cts.
November 1, 1930	September 30, 1930	74,099	25c. per share	18,524 75
February 1, 1931	December 31, 1930	74,099	25c "	18,524 75
May 1, 1931	March 31, 1931	74,099	25c "	18,524 75
Total for Fiscal Year ending March 31, 1931				55,574 25
August 1, 1931	June 30, 1931	89,099	25c. per share	22,274 75
November 1, 1931	September 30, 1931	89,099	25c "	22,274 75
February 1, 1932	December 31, 1931	89,099	25c. "	22,274 75
May 1, 1932	March 31, 1932	89,099	25c. "	22,274 75
Total for Fiscal Year ending March 31, 1932				89,099 00
August 1, 1932	June 30, 1932	89,099	25c. per share	22,274 75
Total for Fiscal Year ending March 31, 1933				22,274 75
Total dividends paid on common stock since date of incorporation				166,948 00

SCHEDULE No. 6

ELMHURST DAIRY LIMITED, MONTREAL

Commenced Business—1873.
Incorporated—November 4, 1921—Province of Quebec.
Acquired—January 14, 1926.

OFFICERS AND DIRECTORS

President.—H. R. Trenholme, Montreal.
Vice-President.—W. R. Aird, Montreal.

Directors

H. R. Trenholme, Montreal; W. R. Aird, Montreal; A. J. Nesbitt, Montreal; P. A. Thomson, Montreal; C. B. Price, Montreal.

E. W. King, *Secretary*

S. H. Taylor, *Treasurer*

Auditors

P. S. Ross and Sons

Main Plant—7460 Upper Lachine Road.

Distributing Depots—101 River St., Verdun; 6240 Hutchison St., Outremont.
Creameries—Richmond, Que.; L'Avenir, Que.

C. B. Price, Managing Director.

SCHEDULE No. 7

ELMHURST DAIRY LIMITED

FINANCIAL STATEMENTS, MARCH 31, 1932

MONTREAL, QUE., May 16, 1932.

AUDITORS' CERTIFICATE

To the Shareholders,
Elmhurst Dairy Limited,
Montreal.

We have compared the attached Balance Sheet at March 31, 1932, with the books and records of Elmhurst Dairy Limited.

We certify that, in our opinion, the attached Balance Sheet has been drawn up so as to set forth a true and correct view of the financial position of Elmhurst Dairy Limited at March 31, 1932, according to the best of our information, the explanations given to us and as shown by the books of the company examined by us.

P. S. ROSS & SONS,
Chartered Accountants.

ELMHURST DAIRY LIMITED

BALANCE SHEET AT MARCH 31, 1932

ASSETS

Current:			
Cash on hand and in bank		$ 7,663 32	
Accounts receivable, less reserve for bad debts		84,294 27	
Inventories of products and supplies		22,482 46	
Investment securities at cost	$ 62,734 50		
The aggregate value of these securities based upon available market quotations or in the absence thereof, upon estimated fair values was approximately $525.00 less than the above book value at March 31, 1932.			
Accrued interest thereon	918 75		
		63,653 25	
			$ 178,093 30
Due from affiliated companies			15 01
Fixed:			
(At replacement values new, as established by the Canadian Appraisal Company Limited as of 15th November 1926, with subsequent additions at cost)			
Land		$ 99,412 40	
Buildings		451,279 01	
Land and buildings not used in business		62,048 40	
Plant, machinery and equipment		284,192 07	
Delivery equipment		231,593 90	
Office furniture and equipment		12,126 48	
			$ 1,140,652 26
Prepaid expenses			7,689 22
Deferred charges			5,008 85
Goodwill			88,033 08
			$ 1,419,491 72

Approved on behalf of the Board:

....(Director).

....(Director).

ELMHURST DAIRY LIMITED

BALANCE SHEET AT MARCH 31, 1932

LIABILITIES

Current:		
Bank loan	$ 20,000 00	
Accounts payable and accrued liabilities	62,521 59	
Unredeemed tickets	2,358 01	
Salemen's deposits	13,845 36	
Dividends payable	25,000 00	
		$ 123,724 96
Due to affiliated companies	4,525 12	
Due to Eastern Dairies Limited	187 87	
		4,712 99
Seven per cent twenty year debenture notes due May 1, 1949— Authorized and issued		400,000 00
Reserve for depreciation		177,312 71
Capital stock:		
Authorized and issued— 12,500 shares of no par value		255,249 58
Capital surplus		54,819 92
Surplus, subject to provincial taxes		403,671 56
		$ 1,419,491 72

Examined and certified in accordance with our attached certificate.

P. S. ROSS & SONS,
Chartered Accountants.

MONTREAL, May 16, 1932.

ELMHURST DAIRY LIMITED

SURPLUS ACCOUNT AT MARCH 31, 1932

Balance at credit March 31, 1931		$ 342,196 17
Add: Net profit for the year ended March 31, 1932 before providing for depreciation	$ 190,725 29	
Less: Depreciation	29,249 90	
		161,475 39
		$ 503,671 56
Less: Dividends on common shares		100,000 00
Balance at credit March 31, 1932, subject to provincial taxes		$ 403,671 56

Schedule No. 8

ELMHURST DAIRY, LIMITED, MONTREAL, BALANCE SHEET AS AT JANUARY 31, 1933

ASSETS

Current:—			
Cash on hand and in bank		$ 13,110 31	
Accounts receivable, less reserves for bad debts		82,912 47	
Inventories of Products and Supplies		24,191 01	
Investment Securities	$ 65,369 50		
Accrued Interest thereon	633 50		
		66,003 00	
			$ 186,216 79
Due from Eastern Dairies, Limited			1,899 93
Fixed:—		$ cts.	$ cts.
(At Replacement values new, as established by the Canadian Appraisal Company, Limited as of November 15, 1926, with subsequent additions at cost.)			
Land		99,412 40	
Buildings		460,070 40	
Land and Buildings not used in business		47,048 40	
Plant, Machinery and Equipment		290,946 20	
Delivery Equipment		223,538 89	
Office Furniture and Equipment		12,322 42	
			1,133,338 71
Prepaid and Deferred Charges			10,026 93
Goodwill			88,033 08
			1,419,515 44

ELMHURST DAIRY, LIMITED, MONTREAL, BALANCE SHEET AS AT JANUARY 31, 1933

LIABILITIES

Current:—	$ cts.	$ cts.
Bank Loan	65,000 00	
Accounts Payable and Accrued Liabilities	50,882 50	
Salesmen's Deposits	13,332 50	
		129,215 00
Due to Affiliated Companies		61 42
Seven Percent Twenty Year Debenture Notes due May 1, 1949— Authorized and Issued		400,000 00
Reserve for Depreciation		174,863 34
Capital Stock— Authorized and Issued— 12,500 Shares of No Par Value		255,249 58
Capital Surplus		54,819 92
Surplus, subject to Depreciation and Provincial Taxes		405,306 18
		1,419,515 44

Schedule No. 9

ELMHURST DAIRY, LIMITED, MONTREAL, SURPLUS ACCOUNT AT JANUARY 31, 1933

	$ cts.
Balance at credit March 31, 1932	403,671 56
Less:—Taxes, 1932	1,480 03
	402,191 53
Add:—	
Net profit for the ten months ending January 31, 1933 before providing for depreciation.	134,364 65
	536,556 18
Less:—	
Dividends on common stock	131,250 00
Balance at credit January 31, 1933 subject to depreciation	405,306 18

SCHEDULE No. 10

ELMHURST DAIRY LIMITED, MONTREAL

STATEMENT OF OPERATIONS FOR THE TEN MONTHS ENDING JANUARY 31, 1933

—	Milk		Cream		Butter		Cheese		By Products		Total	
	$ cts.	$ cts.	$ cts.	$ cts	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales value		590,893 98		237,913 91		103,126 42		1,636 39		54,449 84		988,020 54
Purchase cost		234,623 11		62,934 76		72,356 29		375 17		50,762 80		421,052 13
Gross profit or spread		356,270 87		174,979 15		30,770 13		1,261 22		3,687 04		566,968 41
Dairy Expenses—												
Labour	49,410 55		2,986 76		5,975 75		350 77		1,299 87		60,023 70	
Other	49,451 82		3,432 91		6,141 26		156 61		383 38		59,565 98	
		98,862 37		6,419 67		12,117 01		507 38		1,683 25		119,589 68
Selling and Delivery Expenses—												
Labour	114,054 21		31,088 09		15,124 91		318 25		276 66		160,862 12	
Other	71,483 05		6,145 88		4,498 98		163 76		3,259 57		85,551 24	
		185,537 26		37,233 97		19,623 89		482 01		3,536 23		246,413 36
Administration Expenses—												
Labour	17,815 29		1,072 42		1,159 96		21 86		1,816 55		21,886 08	
Other	14,239 02		6,392 05		2,802 20		15 77		2,075 42		25,524 46	
		32,054 31		7,464 47		3,962 16		37 63		3,891 97		47,410 54
Executive expenses		16,534 99		990 42		1,079 72		31 69		553 36		19,190 18
Total expenses		332,988 93		52,108 53		36,782 78		1,058 71		9,664 81		432,603 76
Net profit before providing for depreciation		23,281 94		122,870 62		6,012 65		202 51		5,977 77		134,364 65

SCHEDULE No. 11

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF SALES VALUES AND EXPENSES PER UNIT OF EACH PRODUCT FOR THE TEN MONTHS ENDING JANUARY 31, 1933

—	Milk, quarts		Cream, half pints		Butter, pounds		Cheese, jars		By products, pounds		Total units	
Number of units		6,535,955		1,561,256		428,773		12,314		663,951		9,202,249
		cts.		cts.		cts.		cts.		cts.		ts.
Sales value		9·04		15·24		24·05		13·29		8·20		10·74
Purchase cost		3·59		4·03		16·88		3·05		7·64		4·58
Gross profit or spread		5·45		11·21		7·17		10·24		0·56		6·16
Dairy expenses—												
Labour	0·76		0·19		1·39		2·85		0·19		0·66	
Other	0·76		0·22		1·44		1·28		0·06		0·65	
		1·52		0·41		2·83		4·13		0·25		1·31
Selling and delivery expenses—												
Labour	1·74		1·99		3·53		2·59		....		1·75	
Other	1·09		0·40		1·04		1·32		0·53		0·93	
		2·83		2·39		4·57		3·91		0·53		2·68
Administration expenses—												
Labour	0·27		0·07		0·27		0·18		0·27		0·24	
Other	0·22		0·40		0·65		0·13		0·31		0·28	
		0·49		0·47		0·92		0·31		0·58		0·52
Executive expenses		0·25		0·06		0·25		0·25		0·09		0·19
Total expenses		5·09		3·33		8·57		8·60		1·45		4·70
Net profit before providing for depreciation		0·36		7·88		1·40		1·64		0·89		1·46

Schedule No. 12

ELMHURST DAIRY LIMITED, MONTREAL

CAPITAL STOCK STRUCTURE FROM DATE OF ACQUISITION TO DATE

January, 1926—	
Authorized—2,500 shares of $100.00 each............	$ 250,000 00
(as per letters patent dated November 4, 1921).	
Issued—2,020 shares of $100.00 each	202,000 00
June, 1926—	
Authorized—12,500 shares of no par value.	
(as per supplementary letters patent dated June 21, 1926).	
Issued—10,100 shares of No Par Value........	202,000 00
May, 1929—	
Autho ized—12,500 shares of no par value	
Issued—12,500 shares of no par value.....	255,249 58

Schedule No. 13

ELMHURST DAIRY LIMITED, MONTREAL

DIVIDENDS PAID FROM DATE OF ACQUISITION TO MARCH 31, 1932

Date declared	Date payable	Number of shares issued	Rate per share	Amount of dividend paid	Total March 31
1926	1926				
July 5	July 10	10,100	$ 1 50	$15,150 00	
September 27	October 10	10,100	1 50	15,150 00	
	1927				
December 27	January 10	10,100	1 50	15,150 00	
1927					
March 22	April 10	10,100	1 50	15,150 00	$ 60,600 00
June 22	July 11	10,100	1 50	15,150 00	
September 20	October 10	10,100	1 50	15,150 00	
	1928				
December 28	January 10	10,100	1 80	18,180 00	48,480 00
1928					
June 28	July 10	10,100	1 00	10,100 00	
September 20	October 10	10,100	1 00	10,100 00	
	1929				
December 27	January 10	10,100	1 00	10,100 00	30,300 00
1929	1930				
December 30	January 10	12,500	1 00	12,500 00	
1930					
March 31	April 10	12,500	1 00	12,500 00	25,000 00
September 9	October 10	12,500	2 00	25,000 00	
	1931				
December 22	January 25	12,500	1 00	12,500 00	
1931					
March 30	April 10	12,500	2 00	25,000 00	62,500 00
June 4	July 10	12,500	2 00	25,000 00	
September 22	October 10	12,500	2 00	25,000 00	
	1932				
December 29	January 11	12,500	2 00	25,000 00	
1932					
March 22	April 11	12,500	2 00	25,000 00	100,000 00
Total dividends paid					$326,880 00

Schedule No. 14

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF EXTRA COST OF PINT BOTTLES OVER QUART BOTTLES, BASED ON PRICES IN EFFECT FEBRUARY, 1933

	cts.
Cost of two pint bottles	7·52
Cost of quart bottles	5·25
Extra cost of pint bottles per quart	2·27

Note.—The extra cost per pint delivered depends on the number of trips per bottle. On the basis of 40 trips per bottle the extra cost would be, ½ ct. per quart or ¼ ct. per pint.

Schedule No. 15

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF AVERAGE SELLING PRICES PER HALF-PINT OF CREAM AND COST OF BUTTERFAT PER HALF-PINT OF CREAM DURING THE MONTH OF FEBRUARY, 1933

—	10% Cream	15% Cream	30% cream	40% cream
	cts.	cts.	cts.	cts.
Average selling price	6·63	9·71	15·79	19·53
Cost of butterfat	1·86	2·78	5·57	7·42

Note.—The difference between the average selling prices and the cost of butterfat does not represent the spread received by the company.

To the cost must be added the cost of sweet fluid milk for standardizing and the cost of returns, and the cost of over purchases of sweet cream.

Schedule No. 16

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF QUANTITY OF MILK PURCHASED AND AVERAGE PURCHASE PRICES FOR THE YEAR ENDING DECEMBER 31, 1932

Total milk purchases	21,559,450 lbs.
Surplus milk purchased	3,715,830 lbs.
Per cent of surplus to total	17·2%
Average purchase price of regular milk	$1.45
Average purchase price of surplus milk	$1.00
Average purchase price of all milk	$1.38
Cost of loss on surplus per quart of milk sold	0·10 ct.
Percentage of sales in—	
Bulk	9·8%
Wholesale bottles	4·7%
Retail bottles	85·5%

Schedule No. 17

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF CREAM PURCHASES FOR THE YEAR ENDING DECEMBER 31, 1932

	Pounds butter fat
Inventory January 1, 1932	6,753
Purchases from producers	189,962
Sweet milk for standardizing	11,929
Sweet milk separated	84,936
	393,580
Inventory December 31, 1932	5,877
	387,703
Sales	281,573
Receipts over requirements	106,130

Schedule No. 18

ELMHURST DAIRY LIMITED, MONTREAL

SALESMEN'S WAGES

Salary varies between $10 and $17 per route, based on the district, size of the route and volume of cream sold.

Commission is 5 per cent on the net value of milk and cream retail sales and 2½ per cent on the net value of milk and cream wholesale sales.

Commission is 1½ cent per pound on retail butter sales and ½ cent per pound on wholesale butter.

Commission is 1 cent per jar on cottage cheese.

Special routes have a fixed wage.

Average wage for calendar year 1932—$28.65 per week.

Schedule No. 19

ELMHURST DAIRY LIMITED, MONTREAL

COMPARISON OF RETAIL SALES PRICE PER QUART AND PURCHASE PRICE OF REGULAR MILK

—	Retail sales price per quart	Purchase price of regular milk	
		Per 100 lbs.	Per quart
	cts.	$	cts.
1926			
September	13	2·41	6·18
October	13	2·41	6·18
November	13	2·41	6·18
December	13	2·41	6·18
1927			
January	13	2·41	6·18
February	13	2·41	6·18
March	13	2·41	6·18
April	13	2·41	6·18
May	12	2·03	5·23
June	12	2·03	5·23
July	12	2·03	5·23
August	12	2·03	5·23
September	12	2·03	5·23
October	14	2·80½	7·22
November	14	2·80½	7·22
December	14	2·80½	7·22
1928			
January	14	2·80½	7·22
February	14	2·80½	7·22
March	14	2·80½	7·22
April	14	2·80½	7·22
May	12	2·03	5·23
June	12	2·03	5·23
July	12	2·03	5·23
August	12	2·03	5·23
September	12	2·03	5·23
October	14	2·81	7·24
November	14	2·81	7·24
December	14	2·81	7·24
1929			
January	14	2·81	7·24
February	14	2·81	7·24
March	14	2·81	7·24
April	14	2·81	7·24
May	14	2·81	7·24
June	13	2·39½	6·17
July	13	2·39½	6·17
August	13	2·39½	6·17
September	13	2·39½	6·17
October	14	2·81	7·24
November	14	2·81	7·24
December	15	3·20½	8·23
1930			
January	15	3·20½	8·23
February	14	2·81	7·24
March	14	2·81	7·24
April	14	2·81	7·24
May	14	2·81	7·24
June	12	2·03	5·23
July	12	2·03	5·23
August	12	2·03	5·23
September	12	2·03	5·23
October	13	2·40	6·18
November	13	2·40	6·18
December	13	2·40	6·18

ELMHURST DAIRY, LIMITED, MONTREAL—*Concluded*

COMPARISON OF RETAIL SALES PRICE PER QUART AND PURCHASE PRICE OF REGULAR MILK—*Concluded*

—	Retail sales price per quart	Purchase price of regular milk	
		Per 100 lbs.	Per quart
	cts.	$	cts.
1931			
January	13	2·40	6·18
February	13	2·40	6·18
March	12	2·03	5·23
April	12	2·03	5·23
May	12	2·03	5·23
June	11	1·70	4·38
July	11	1·70	4·38
August	11	1·70	4·38
September	11	1·70	4·38
October	11	1·70	4·38
November	11	1·70	4·38
December	11	1·70	4·38
1932			
January	11	1·70	4·38
February	11	1·70	4·38
March	11	1·70	4·38
April	11	1·70	4·38
May	10	1·35	3·48
June	10	1·35	3·48
July	10	1·35	3·48
August	10	1·35	3·48
September	10	1·35	3·48
October	10	1·35	3·48
November	10	1·35	3·48
December	11	1·60	4·12
1933			
January	11	1·60	4·12
February	10	1·35	3·48
March	9	1·35	3·48

NOTE.—The company actually paid an additional ½ ct. per hundred pounds over and above these prices. This extra ½ ct. being paid to the Montreal Milk Producers Association in accordance with our agreement with them.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MARCH 24, 1933

No. 8

Reference,—Milk and Milk Products

WITNESS:

E. H. Conklin, General Manager, Borden's Farm Products Co., Ltd., Montreal

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, March 24, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bowman, Bouchard, Bowen, Brown, Gobeil, Hay, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Perley, Pickel, Porteous, Séguin, Senn, Taylor, Totzke, Tummon, Vallance, Weese, Weir (Melfort), Weir (Macdonald), Wilson.

Mr. Tummon for the subcommittee on witnesses reported that Mr. E. H. Conklin, general manager of Borden's Farm Products, Limited, Montreal, had been summoned to appear before the committee to-day.

Report concurred in.

After discussion the committee agreed to convene again on Monday, March 27, at 11 a.m.

Mr. Wilson moved that Mr. George Hogg, a witness at a previous meeting be recalled.

Motion carried.

E. H. Conklin, general manager, Borden's Farm Products Co., Ltd., was then called and sworn.

Witness read a prepared statement and was examined at length.

Witness was instructed to prepare further data and statements to be submitted at a subsequent meeting.

Meeting adjourned at 1.15 p.m., till Monday, March 27, at 11 a.m.

A. A. FRASER,
Clerk of Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 24, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we will have to decide when we will meet next. I understand that there will be caucuses Tuesday and Wednesday, and while it is not customary to have a committee meeting on Monday, I was wondering if we could not arrange to be here Monday. If it is the pleasure of the meeting we will meet at 11 o'clock on Monday, and I will ask the subcommittee on witnesses to arrange for somebody to be here. The subcommittee has reported to me that they have as a witness this morning Mr. Conklin of the Borden Dairies of Montreal. However, it is customary to approve of the recommendations of the subcommittee. Is the report concurred in? Carried.

Mr. BERTRAND: Mr. Chairman, before the witness is called upon, may I ask if you have received a financial statement from Mr. Hogg of the Guaranteed Pure Milk Company and Mr. Aird of the Elmhurst Dairy and the Eastern Dairies Limited?

The CHAIRMAN: No.

Mr. BERTRAND: May I also ask if Mr. Hogg has given the salary he is receiving, that he was supposed to give you?

The CHAIRMAN: No, he has not. I have no report whatever.

Mr. BERTRAND: May I say, Mr. Chairman, that there is a persistent rumour that the salary of this gentleman would be in the vicinity of $70,000 per year, and it would be rather interesting that this information be secured.

The CHAIRMAN: My own idea of that is, that Mr. Hogg made these definite assurances to the committee; he has not fulfilled them; and I think he should be called back and made to give the evidence in full. However, that is in the hands of the committee.

Mr. TUMMON: Would it be advisable for the clerk to bring these matters to their attention first by letter?

The CHAIRMAN: Whatever the committee suggests. I think he has had his opportunity, his chance to fulfil his promise, and if he has not done so he should be recalled.

Hon. Mr. MOTHERWELL: It is not very long; it is about a week.

The CHAIRMAN: No. It is nearer to two weeks.

Hon. Mr. MOTHERWELL: That is not very long. Give him a little while longer.

The CHAIRMAN: There is a motion moved by Mr. Wilson, seconded by Mr. Vallance that Mr. Hogg be recalled. Carried.

EMMET H. CONKLIN, called and sworn.

By the Chairman:

Q. Mr. Conklin, what is your position?—A. I am general manager of the Borden Farm Products Co., Ltd., Montreal.

Q. Have you a statement prepared?—A. Yes, I have a statement prepared.

Q. It is customary to hear your statement without interruption. We would be pleased to listen to it?—A. My statement is as follows:—

STATEMENT BY E H., CONKLIN, GENERAL MANAGER, BORDEN'S FARM PRODUCTS CO., LIMITED, 703 DOMINION SQUARE BLDG., MONTREAL, QUEBEC

MARCH 23, 1933.

As we understand it, the Committee is primarily interested in four main aspects of the milk industry; and we take the liberty of summarizing these four points with which we shall deal in so far as our Company is concerned; these four points are:—

1. The Price the Producer of Milk is getting from the Dealer.
2. The Treatment the Producer of Milk is getting from the Dealer.
3. The Spread between the price paid to the Producer and that paid by the consumer.
4. The Retail Price of Milk charged to the Consumer.

Please keep in mind that we speak only for one Montreal Dealer, Borden's Farm Products Co., Limited; and that such information as we can furnish you applies only to that company.

1. *As to the Price We Pay to the Producers*

Our Company pays the Milk Producers the price agreed upon between us and the Producers' Association; we do not violate this agreement at any time. If, because of special conditions of the business, we at any time think that the Producers' price should be reduced in the interests of all concerned, we confer with the Association and propose such a reduction. On the other hand, if the Association at any time believes that, because of circumstances, the price to the Producers should be revised upward, the Association calls us in for discussion of the proposal. On both sides there is an open willingness to meet, to discuss the situation fully, and to reach a mutual agreement which will best serve the interests of the Producer, our Company, and the consumer.

In speaking of our readiness to meet and discuss the prices with the Producers' Association, we do not wish to claim any virtue beyond sound business sense. We believe that our whole industry cannot prosper if one major portion of the system is out of line with the current economic needs of all branches of the business. It is not really a question of fairness, but of broad economic necessity which dictates our action on both sides.

There is one aspect of this price matter which does not seem to be understood generally—the basis on which we pay the Producers. The Montreal By-Law on Milk requires us to furnish milk with only a minimum butterfat content of 3·25 per cent. However, our price agreement with the Producers is fixed on a basis of butterfat content of 3·5 per cent; and our Company also agrees to pay four cents per hundred pounds more for each point higher butterfat content; that is, for each one-tenth of one per cent higher butterfat, we pay four cents above the "base" price.

Our average Producers' milk has tested considerably above the 3·5 per cent bases this past year; and we have, therefore, paid the Producers considerably more than the base price for market milk. Since, under the Montreal By-Law, we are forbidden to add to or take from the fluid milk sold to consumers any cream or butterfat, we cannot take out this

extra butterfat content, but must sell it just as if the milk had no more than the minimum required, 3·25 per cent butterfat. Thus the Producers and the consumers get an actual benefit from this extra butterfat; but we do not—we have to pay for it.

2. *How the Producer Fares with Us*

We now come to the question as to the treatment which the Producers receive from us under our agreements.

At this point we wish to present a copy of what we call our Purchase Plan—a statement which we make to our Producers; and also a copy of a typical Dairymen's Memorandum of purchase, such as we now furnish each of our Producers monthly:—

For all milk received at Montreal, the price established by the Montreal Milk Producers' Association is paid.

All milk testing above or below 3·5 per cent, four cents (4c) per point per hundred pounds is added or deducted, according to test.

All milk received in excess of our market milk requirements is manufactured into cheese and cream. Cheese is sold by Mr. W. W. Moore, secretary of the Montreal Milk Producers' Association. The returns derived from the sale of cheese and cream, less the conversion cost, is blended with the fluid milk price, and the base price of milk testing 3·5 per cent established.

Example:

DAIRYMEN'S MEMORANDUM

Name, John Jones. Month of January, 1933.
Market milk, 2,130 pounds, at $1.60.. .. ..$34 08
Surplus milk, 870 pounds, at $1.14.. .. .. 10 02

Amount.. .. ..$44 10
Deductions, $———
Hauling, $———
Total deductions.. .. ..$———
Net amount.. .. ..$———
Average butterfat test 3·5 per cent.
Average price of cheese $0·09.
(Previously only blended price given)

To explain how this plan works out for the Producers, we comment further upon its operation.

When we take on a Producer, we agree to have him ship to our depots his entire output of milk. This is the custom of our company. As a matter of fact, this practice was established to meet the wishes of the Producers, who apparently would rather have an assured outlet for all of their milk (regardless of consumer milk demand) than to have a steady market for a certain quantity of milk month after month. This system has been in operation for over ten years, and hence it is reasonable to suppose that our Producers are satisfied with it.

Now, let us see what happens. We find, from our records, that the average Producer on our books delivers to us an average of 246 pounds of milk daily, throughout the year. But, his minimum day's shipment is only 170 pounds, and his maximum day's shipment is 398 pounds—more than double the minimum. If our consumers require 246 pounds of milk every day throughout the year, we would obviously be very short of our needs some days; and have a very large surplus other days. Of course, the demands of our consumers vary from month to month, but not nearly as widely as the production of milk.

We have here several charts showing the wide fluctuation in receipts of milk at several of our depots which are typical of this situation. I shall be glad to turn these over to the committee for further study if desired.

Since a dairy farm is not like a machine shop, wherein production can be regulated according to demand, and since fluid milk is a perishable product, the dairy industry as a whole suffers from the fundamental economic trouble of over-production at one period, and under-production at another.

We, as a dealer, must secure enough milk at all times to meet our consumers' demands. This is our basic service to the community. Hence we must take on enough Producers to be sure that their minimum day's shipments will meet our customers requirements. This, then, means that when the Producers' supply increases, their shipments to our depots run way ahead of our consumers' needs, and a surplus is created.

We could, of course, conceivably contract with the Producers for only a certain fixed quantity of milk every month, and leave it to them to dispose of the surplus—as they could, if they could, and at what price they could.

But, perhaps fortunately for the whole industry, we cannot be independent of the Producers' welfare in this way. Surplus milk left on the Producers' hands would be thrown into the market at greatly distressed prices. The Producers would get little or nothing for this surplus; and their distress selling would force a reduction in the selling price of our milk—which is the Producers' regular month-after-month business. Producers would be merely competing with themselves, in such a case.

The milk business, like nearly all businesses at the present time, is suffering from over-production. The basic fact that cannot be overlooked by anyone seeking a solution of the problem is that there is too much milk. A reduction in price does not result in a sufficiently increased demand to even approach taking up the surplus.

As a result, producers as a whole cannot expect to sell their whole production for re-sale as fluid milk. The established distributors cannot afford to pay the so-called association prices for milk which they cannot sell as fluid milk.

This over-production is aggravated by the fact that many of the farmers producing milk will not co-operate with the organizations of producers. In the industry at present, a large number of producers have an outlet for their milk through established distributors, which enables them to dispose of the greater part of their production at fluid milk prices. There are also a number of producers who do not have such an outlet and they must, under present conditions, do the best they can to sell their milk. These latter producers, who have no fixed market, naturally consider that they have a right to compete for the sale of their milk with the producers who have an established market. For all practical purposes, the only means of competition which they have is to lower their prices to the distributors. They then make contact with the class of distributors who are willing, by placing this lower priced milk on the market, to under-sell their competition to gain a market. In such a transaction, the farmer takes a lower price than the prevailing rate and distributors of that class are therefore able to and do sell to the consumer at lower prices than other established distributors.

General price-cutting and price wars follow and, in the result, the farmer gets far less than the cost of production for his product.

To aid the Producer—and ourselves, of course—we help him dispose of his surplus milk in a way which will be less harmful to everyone con-

cerned—even to the consumer. We help him convert his surplus into products which do not compete with his regular shipments to us for the Montreal market.

As stated before, we agree to take the producers' entire output the year 'round, at our country depots. Each day we estimate our customers' demands for fluid milk, and we divide the receipts of milk at our country depots into two classes which we call "Market Milk" and "Surplus Milk". The former is the amount our customers require and is then shipped to Montreal; the rest is held as surplus at the depots in the country.

For the "Market Milk" we pay the Producers the agreed-upon price. The "Surplus Milk" at our country depots is made into cheese or cream (or both) according to current prices and demand. Cheese is turned over to the Producers' Association to sell, and the Producers who supplied the surplus milk receive whatever their products fetch, less the cost of conversion. In other words, in the handling of "Surplus Milk" we act as manufacturers for the Producers; it still remains his milk.

By working together in this manner, we help the Producers use up their surplus milk in a way which gives them a fair return, without demoralizing their "Market Milk" prices.

Now let us look at a case that illustrates all this—as shown on the Dairymen's Memorandum already mentioned previously. Let us suppose that during January, 1933, John Jones delivered to our country depot 3,000 pounds of milk. During that month the "Market Milk" requirements called for 2,130 pounds of his milk, leaving a "Surplus" of 870 pounds which we convert. For this month's milk the producer would receive:—

Market milk..	2,130	pounds, at $1.60.. ..	$34 08
Surplus milk..	870	pounds, at $1.14.. ..	10 02
	3,000		$44 10

This transaction gives the Producer what we call a "blended" price of $1.47 for the entire output, which we believe is a better price than if the surplus was sacrificed at a low price in the Montreal fluid milk market. It even saves an actual loss of much milk that would spoil if the producers individually tried to market their surplus.

The foregoing example is for only one month of the year—January, 1933, in this instance. To illustrate more clearly what this means over the period of a whole year; here is the statement for the average month of 1932 for John Jones—a typical case.

Example:

DAIRYMEN'S MEMORANDUM

Name, John Jones. Month of Average 1932.

Market milk, 2,209 lbs., at $1·5654..		$34 58
Surplus milk, 791 lbs., at $1·05..		8 31
Amount..		$42 89
Hauling..	$———	
Deductions..	$———	
Total deductions..		$
Net amount..		$42 89

Average butterfat test, 3·7 per cent.
Average price of cheese, $0.09½.

It will be noted that in this case, the Producer received the average Association price of $1·5654 for his Market Milk, and a price of $1·05 for his Surplus Milk. This works out to a "blended" price of $1·43 for his entire milk shipments for the average month of 1932. In other words, over the entire year he received for all his milk (Market and Surplus) a price which was only $0·135 less per hundred pounds than the price of his Market Milk alone.

There are also some other details which we should mention. All of the Buttermilk we sell is what is known as fermented or cultured milk. It is not the Buttermilk that comes from butter-churning. In other words, it is not a by-product of the butter. We pay the regular Association price for the whole milk from which our Buttermilk is made; another point in the Producers' favour. Our Buttermilk is made from freshly prepared modified milk, which is pasteurized, and then cooled to a ripening temperature. A Lactic starter is then added, and the product allowed to ripen overnight. This ripening process results in the formation of a firm, smooth curd, which is beaten by revolving mechanical agitators until it is properly broken up. It is then cooled and bottled.

The skimmilk left from the production of Cream must be pasteurized (by requirement of "Dominion Regulation") before it is returned to the farm. We do not make Cream in Montreal; all of it is made at our Country Depots. Neither the milk from which it is made, nor the skimmilk, is shipped to the City. We sell this skimmilk to the Producers themselves at a cost to him of only five cents per eight-gallon can—and we credit that amount to their Surplus account, so that we gain no profit from skimmilk. The reason for making this price, and then crediting the amount, is to equalize the return in money to those Producers who do not take back their skimmilk. That is, some Producers take back more skimmilk than their share; and by charging them for it, we can then refund the money value to those Producers whose return of skimmilk is less than their share.

As mentioned before, this plan has been in effect for over ten years, and as we have frequent meetings with the Producers, this plan apparently works out to their satisfaction, as the majority of our Producers have been shipping to us for this period of time.

3. *As to the Spread Between the Producer and Consumer Prices:*

Here let me repeat that I speak for only one Dealer. We pointed out previously that we actually pay the Producers more than the agreed base rate, because of the higher butterfat content of our average milk. Therefore, it is not fair to figure the spread as the difference between the base price we pay and the consumer price we get, the spread is obviously less than that.

We also wish to mention the fact that our individual consumer price is not entirely a fair measure of the price-spread; since a portion of our sales are made at wholesale prices to stores for resale, to institutions, to restaurants, and to Montreal Relief Organizations—prices lower than the regular house delivery price.

Speaking generally, we pay the Producers over forty per cent of what we get for our milk from the consumers. Now, let us see where the rest goes.

Using round numbers, again for convenience, about sixty-five per cent of this balance is what we call "Sales Expense"—or delivery cost. This means the cost of our wagons, upkeep of our delivery horses and equipment, materials used in selling and delivery, and—most important

—our drivers' salaries and commissions. This is a competitive business in Montreal; and every competitive business has sales cost, no matter how essential the product may be. However, these are really delivery costs.

The salaries and commissions we pay to our wagon salesmen is a very large proportion of this selling cost. This goes to the men who do the delivering of milk to homes, collecting bills, and many other duties.

This leaves about one-fifth of the consumer price to cover the handling of milk, pasteurizing and bottling, the cost of technical materials, sterilizing cans, bottles and equipment, daily repairs and upkeep of machinery, light and power, office and administrative expense, licences, salaries, water rates, taxes, insurance, and hundred of other operating items—not to mention a possible profit.

Under the Montreal By-Law, the Milk Dealers in our City are required to do a vast number of things, and to take many precautions in the testing and handling and pasteurizing of milk. Such exacting requirements are unknown to any other kind of commercial business. While these requirements are many, and are strict, yet we believe that they are all necessary to protect the health of the community, despite their cost, and yet you see from these figures, we keep these essential costs down to a very efficient minimum. As a matter of fact, we take pride in the fact that we exceed the maximum requirements of the By-Law, without sacrifice of price or cost.

Just to give you an idea of only one part of the work we do in the interest of the Producers and consumers, here are some facts from our records.

Last year we made nearly five hundred inspections of Dairies; inspecting the herds and making out a score card with twenty-five questions to be covered. We made nearly thirteen thousand butterfat tests of our Producers' Milk—each one requiring scientific skill and technical apparatus and material. We made nearly six thousand bacteriological tests; and over eight thousand acidity tests. We made over five thousand sediment tests of samples. This is just the inspection and test work of part of our job; you can easily imagine the rest of the picture. The expenses are all borne by the Company, and are not passed on to the Producer.

4. *As to the Fairness of the Consumer Price:*

We come, then to the question of whether or not the price charged to the consumer is fair. We feel that it would not be fitting for us to comment on whether the consumer price is fair to ourselves—we are an interested party. As to whether the consumer price to the Producer is fair, we can only say that as far as the "Spread" between consumer and Producer is concerned, we believe we have proved it both fair and necessary. As to the fairness to the consumer himself; it must be clear to anyone who examines these facts that the consumer is getting his milk at a remarkably low price, considering quality and the protection of health which he receives.

By the Chairman:

Q. Is that all of your statement, Mr. Conklin?—A. Yes, sir.

By Mr. Tummon:

Q. Mr. Conklin, you are representing, I think you said, one company in Montreal, the Borden's Farm Products Company, Limited?—A. That is right.

Q. Does the Borden Company own or control any other company in Montreal?—A. The Joubert Company is a subsidiary of the Borden's Limited. We are the same.

Q. They are the same relation to the main Borden Company, Limited, as the company you are representing now?—A. That is right.

Q. If we were to require a witness from that company, whom would we call?—A. Well, I would suggest Mr. Charette, the vice-president.

Q. I think you have no jurisdiction over that company?—A. No, I have not.

Q. Now, dealing just with the company that you represent to-day, can you give the committee the total amount of fluid milk that was purchased by your company in 1932?—A. Yes, I will be glad to get that.

Q. Have you it with you?—A. I have.

Q. Is your financial year the calendar year? Is that your financial year? —A. Yes.

Q. Then, if we deal with the calendar year, we are dealing with your last financial year?—A. Yes, that is right, 1931 or 1932?

Q. Well, let us take 1932, Mr. Conklin. I would like the total amount of fluid milk purchased by your company in 1932?—A. The total number of pounds purchased in 1932 was 28,610,234 pounds.

Q. Now, that includes, I presume, milk purchased as market milk, or at the market price or the Association price?—A. Right.

Q. And also milk purchased at purchase price?—A. That is right.

Q. Can you give the committee the average cost per hundred pounds of that milk in 1932?—A. The average cost in 1932 per hundred was $1.56½.

Q. That is the rate per hundred pounds?—A. That is right.

Q. Now, I suppose that milk purchased at the market price, or what you call the market price—we have been calling it association price milk here—was largely disposed of as fluid milk, by the quart, and such like?—A. That is right.

Q. Can you give the committee the average cost of that milk per quart?—A. The average cost for 1932 was ·0403 per quart.

Q. ·0403 per quart. Now, what was the percentage of milk that you purchased as market milk?—A. For any particular month, or for the year?

Q. Well, I am dealing with the year 1932; all my questions now until I tell you differently will be directed to that year.—A. In 1932 the percentage of market milk of total purchased was 73·6 per cent.

Q. Right—that is of the 28,610,234 pounds.—A. Yes sir.

Q. The balance then was purchased as surplus milk?—A. That is right, 26·4 per cent.

Q. 26·4 per cent was surplus. Now, can you give us the average selling price per quart of the milk purchased at the association price, or market price? —A. I would be glad to do that, but in doing that I would like to call to attention that when I give this it is for the converted average quality. I mean by that the half pints of milk, the pints of milk and the quarts. Now, my reason for doing that is that the pint sells for a higher price in proportion to the quart, so I thought to be fair I would swell that price as much as I could, which is 10·41 per quart, that is the average quart in all forms.

Q. So you get that amount 10·41. Well, let me see if I have followed your description as to how you arrived at that. If you sell one quart of milk for eight cents and then you sell two pints for five cents, it is obvious that that would be an average of nine cents?—A. That is right.

Q. That is the way in which you arrive at that?—A. That is the way we arrive at the average quart.

Q. Now then, have you the spread per quart?—A. The spread per quart was ·0638.

Q. The spread between the purchase price and the selling price per quart?—A. Per quart.

Q. That was ·0638. Now Mr. Conklin, can you tell the committee how you account for that spread?—A. How we account for that spread?

Q. Yes. Let us start at the beginning. Now we will say—you said that the average price per hundred pounds was $1.56½.—A. That is right.

Q. For the year 1932. Now, that was the price paid the producer, including transportation.—A. Yes.

Q. The milk was shipped directly from the producer into your plant at Montreal?—A. Yes, part of it, not all of it. We have country depots where they ship some, and direct shippers, where they ship others; but I am giving now the Montreal delivered prices.

Q. Yes, the Montreal delivered prices. Well, let us discuss that depot business, just for a moment. You have depots, which I suppose are receiving stations, are they, more or less?—A. Yes.

Q. How many have you in the country?—A. We have two.

Q. Where are they?—A. One is at Maxville and one is at Ormstown.

Q. The producer delivers his milk at the stations, to the receiving stations?—A. Yes.

Q. You then ship from these stations into your plant at Montreal?—A. Yes.

Q. Does the farmer pay the freight, or do you pay the freight when you receive it at Montreal and deduct it from the farmers' returns?—A. We pay the freight and deduct.

Q. Very well then, perhaps you might give us a little information that I have been trying to get and that I have been unable to get from other witnesses. Have you any idea, or have you any figures, as to what the average cost per hundred pounds of freight your transportation charge is into Montreal?—A. Twenty-five cents a hundred.

Q. You say 25 cents a hundred? Thank you, sir.—A. That applies to Maxville and Ormstown.

Q. Now, we will say that the milk was received at your station. The farmer delivers it there and it is shipped directly into Montreal to your plant. Then we must take 25 cents a hundred off your average price to really get at the net price that the producer receives.—A. Yes.

Q. All right. Now then is that the only charge that is deducted from the milk? Do you make any charges in any other way?—A. Yes, we do. On milk that is termed "surplus milk" there is a conversion charge of 25 cents a hundred pounds. In other words, we take what the railroads would get and apply it as our conversion charge, which would be 25 cents a hundred. We manufacture the cheese for that amount. We save the freight by doing it in the country.

Q. Yes. Well, what I am trying to arrive at is this: supposing I am a farmer, or a producer, and I take my milk and deliver it at your door; you accept it there, and your men ship it in to your plant at Montreal; now then, when you come to pay me on the 15th of the month, or whenever you make your returns to the farmer, you deduct 25 cents a hundred, we will say, from the price that you would be paying me for market milk on all milk.—A. You mean for freight.

Q. That is right. Now then, are there any further charges that you deduct from the market milk?—A. Yes, on the market milk delivered, there is a handling charge of 18 cents. Now, I do not wish to confuse market milk with the other,—18 cents for the market milk. With the milk that is manufactured only, that is the surplus that is delivered to us on which there are no freight charges, we charge 25 cents a hundred for the handling of that.

Q. Yes, all right then. Then, supposing the producer was being paid by your company for market milk $1.56½, there would be 25 cents a hundred freight, or transportation charges, and then 18 cents a hundred again.—A. For fluid milk.

Q. Then, taking these two items from your average price we arrive at the net price that the farmer is receiving?—A. Yes.

Q. And on all this 28,610,234 pounds of milk at an average of $1.56½ you have to deduct 25 cents and then 18, and you get the net that the farmer receives.

The CHAIRMAN: That is 43 cents, which must be deducted from the $1.56½ in order to arrive at the price the farmer receives.

By Mr. Hackett:

Q. That is for the market milk only, and it means then 50 cents for the other.—A. It is not 50 cents for the other, because there is no freight on the other. We do not charge freight when we do not ship it.

By Mr. Tummon:

Q. I can understand that, yes. Now then, Mr. Conklin, it would be interesting I think for the committee to learn just what services you render the producer for this, just what services are contributed for which you charge the 18 cents?—A. Well, first of all we harvest about 3,000 tons of ice, which is about 10 tons to each producer making delivery; we also furnish all the cans, we take care of loading, handling, sterilizing of cans, and the transportation which we have to advance—otherwise ordinarily the shipper pays his own transportation charges.

Q. In many cases the other companies make the producer furnish his own cans, do they?—A. Yes.

Q. And you pay the freight?—A. Yes, we pay the freight.

Q. Well, I must confess that that is something, because I remember years ago when I first started to ship to Toronto, I used to ship 10 to 12 cans a day, and it cost me two or three dollars every morning for freight, and sometimes I had a hard time getting enough money to keep things going. That is something undoubtedly. However, we have arrived at what you charge that for, and we know that.

By the Chairman:

Q. Those are all the factors that enter into that charge, you say?—A. Yes. On the other charge of 25 cents for manufacturing, of course, we furnish all the material like cheese boxes and cheese binding—all the materials used and guaranteed No. 1 quality. In other words, if we make a No. 2 batch of cheese, we pay them at the No. 1 price. That is our guarantee.

By Mr. Tummon:

Q. Yes. Now then, that approximately accounts for the full amount taken. That means that the farmer who was supplying milk in February of this year with a market price of $1.35 per 100 pounds would get a return on his market milk of about 84 cents?—A. Well, I haven't got those figures with me, but if it all went in as market milk he should be getting about that for his 3·5 milk, and then there would be a surplus charge out of that. I don't just recollect what the surplus charge was for February.

Q. Well, I am looking at a bill, Mr. Conklin, and it shows surplus milk at 8 cents?—A. Did you have the fat test? This bill should show the fat test.

Q. The average butterfat test was 3·3?—A. Then, that man was penalized 8 cents fat.

Q. Well, I can see he was below the 3·5?—A. He was below the 3·5.

Q. Now, then, do you collect it on 3 cents per point or 4 cents per point? —A. Four cents per point.

Q. That is, below 3·5?—A. Yes.

Q. The others have said that they have been paying 3 cents per point, you pay a cent more?—A. Well, we have paid 4 cents for years.

Q. You have paid 4 cents for years, and have deducted 4. Now, then, taking away from the average price per 100 pounds to transportation charge and your service charge have you any idea what the net price per quart to the producer is?—A. No, I have not. I have only the figure of what the milk actually cost us, not what it cost the producer.

Q. I think perhaps we can get at that ourselves anyway. Now, then, that does not include cream purchases which we have been talking about?—A. No.

Q. Now then, you said that the spread between the price that the milk cost you per quart, and the price that you received for that milk was so much —I think you said that was 06·38 per quart?—A. That was the spread.

Q. That was the spread, yes. Now, what does that include?—A. The spread?

Q. Yes. What makes up that spread between the cost price, and the average selling price?—A. Well, first of all the cost of the product.

Q. Yes.—A. It means the purchase cost of the goods, including the cost of freight and of hauling to our pasteurizing plant from the station.

Q. That is, the cost of the product at your store?—A. Yes. Now, the production cost takes in a number of items here—salaries and wages of factory superintendents, and the disbursements on wages of plant employees; it includes electricity, general freight—I think I mentioned that before—and express; factory and production department expenses other than labour; material and bottle expenses—in material is included coal, fuel oil, ice, bottle caps, wires and miscellaneous supplies.

By Mr. Brown:

Q. I think, if you have the actual cost it should be on the record?—A. Well, I can't give it to you, this is all on the quart; but really I haven't got it in volume.

By Mr. Tummon:

Q. It is on the quart of milk that I am asking for?—A. All right, the sale price for a converted quart for 1932 was 10·41—that is the average sale price.

Q. 10·40, that is the cost of the product?—A. That is the sale price of the product.

Q. That is the average price?—A. The average sale price for a quart. Now, the cost of this product was ·0415, which as I have mentioned here is the cost of all the goods sold, including freight, and hauling to the Montreal pasteurizing plant. Now, the production expense on a quart is ·0119. That is made up of salaries and wages. As I mentioned before these expenses include electricity, general freight and express, materials, coal and fuel, bottle caps and wires, miscellaneous supplies, extensions to buildings, depreciation charges on buildings, machinery, horses, harnesses, insurance—principally fire insurance—taxes—real and personal property taxes—licence fees, provision for reserve, and other expenses—general and administrative expenses; that is about all.

Q. What then is the next item in the case of spread?—A. The next one is selling and delivery expenses ·0412. Now, that takes in salaries and wages of branch superintendents, and the sales department, wages to route salesmen and branch employees.

Q. By Branch superintendents you mean those out in charge of depots?—A. Yes, we have a depot with perhaps forty wagons and we have a man in charge who is a superintendent.

Q. In the city of Montreal?—A. Yes. Then, there is commissions paid to route salesmen on the basis of points on sales and cash collected, included in the two items. It also includes wast products, breakfast for the men, branch sales department expenses other than labour, material and profit expenses, hauling from the pasteurizing plant to the various branches, feed, bedding, ice, miscellaneous supplies, maintenance of buildings, depreciation charges on buildings, machinery, furniture, automobiles, harness, wagons, horses, insurance taxes, real and personal property taxes, licence fees, rents, reserve for bad debts and doubtful accounts, advertising expenditures, general administrative expenses, container loss, cost of bottles, boxes and cans lost and destroyed and container repairs to boxes and cans lost and destroyed.

Q. And the cost there?—A. I haven't got the cost on that.

Q. Is that the proportion that is borne by that cost?—A. That all goes to make ·0412 on a quart of milk.

Q. ·0412 is the spread?—A. ·0412 is the selling and delivery expenses on a quart of milk.

Q. Well then—?—A. There are some other costs.

Q. Now then, what other points do you cover?—A. Well, there is the container costs of ·0019 per quart.

Q. What was that?—A. The container cost, that is, bottles, cans and boxes—·0019 per quart.

Q. I thought you covered that in one of the others?—A. I think not, I might have read them in the other details.

Q. I see, you are giving a general statement, but I say that so as to keep that in your mind. We want to know just what is contained in the preparation of that spread?—A. Perhaps I may have repeated the item, but I only have about five items which have been set up—first cost of production and production expensions, selling and delivery expenses, container costs, net profit and income tax, which goes to make a total of 10·41.

Q. Well, now, give us these five items, and what you apportion to each, and what is in each. If you have given it there already follow through to the end?—A. Well, I have given you the cost of the product and the production expenses.

Q. Yes—A. And the selling and delivery expenses.

Q. Yes. Now then, what is next?—A. Container costs.

By the Chairman:

Q. What is container costs made up of, Mr. Conklin?—A. That is made up of boxes, cans and bottles.

Q. Do you mean breakages?—A. Well, losses, yes.

By Hon. Mr. Motherwell:

Q. Does it cover the broken bottles?—A. Yes.

Q. And what are the other items now?—A. Well, the other is profit.

Mr. GOBEIL: What is the container cost?

Mr. TUMMON: He gave that, ·0019.

By Mr. Tummon:

Q. Now, what proportion of the spread is profit?—A. The net profit is ·0068. There is a balance there for income tax ·0008—that should make a total of 10·41.

Q. And that covers the entire spread between the cost and the average selling price.

The CHAIRMAN: Then, there is no profit included in that

Mr. TUMMON: Yes, he gave that.

The WITNESS: The profit is ·0068 per quart.

By Mr. Tummon:

Q. Now, in regard to the surplus milk, Mr. Conklin, you said the percentage of fluid milk purchased at the surplus price, I think, was 26·4?—A. 26·4 per cent.

Q. And in your statement you gave the method that you used in arriving at what is called the surplus milk?—A. Yes, sir.

Q. All right then. Can you give the committee now the average price per 100 pounds paid for this surplus milk separate from the general?—A. No, I haven't got that, I have only the price paid for all.

Q. Can you furnish the committee with that?—A. Yes, I can.

Q. Will you do that?—A. I will do that.

Q. The clerk will make a note of it, I think. Now, you spoke about the charges in regard to the milk that was received at your depot, and you said that on all the surplus milk received there you paid, or you absorbed, the charges on that; Do you?—A. Well, I don't know whether I stated myself clearly. I said that we charged 25 cents a hundred for the manufacturing of cheese and cream, which after all is the same amount as though they were shipped to Montreal. In other words, we take the freight charges and convert it, use it as a conversion cost.

Q. I understand you to say that that milk was received at your depots and that you separated there some, did you?—A. Well, we separated in this way—, there are two interpretations perhaps of the word "separated."

Q. Let us get that right.—A. We have what we call a market milk which is milk that is shipped to Montreal and sold as fluid milk in bottles.

Q. Do you empty that out of your cans at all that you receive it in from the farmer?—A. At the country plants?

Q. Yes?—A. We are not allowed to, no.

Q. You are not allowed to empty that as you receive it from the producer into your depot; you are not allowed to take it out of the cans at all; it must go to the city in the same cans?—A. It has got to go there in the original container. That is a Montreal by-law.

Q. In reality, what you do is to provide ice and cooling conditions for that milk there?—A. And cans.

Q. You furnish the cans that it is being transported in; but the only service you really give to this milk there is just cooling it?—A. Cooling it, loading it, sterilizing—washing the cans.

Q. You don't take samples?—A. We take samples, for butter fat.

Q. Your test for butter fat is done at the depot?—A. Yes.

Q. You don't treat your surplus milk you receive there in the same way, I understand?—A. Well, it is all market milk that comes in there, but we only ship to Montreal according to our requirements, by bottles; the balance is left there and manufactured either into cream or cheese.

Q. Then all the surplus milk that you receive, however, does not come in through depots?—A. Yes.

Q. All that you receive?—A. Yes.

Q. No surplus milk that goes to make up this 26·4 is received other than through your depots?—A. No.

Q. No farmers ship directly in to your factory?—A. You see, the reason we do that is to save the handling charges, in other words the freight charges. It would be useless for a man at Sherbrooke to ship milk to us and manufacture it in Montreal. That is the service we perform for him and ourselves at the country plant.

Q. Some plants are doing that, charging 25 cents a hundred for shipping 3·5 pounds of butter fat?—A. Of course, this is our system.

Q. All right.

By the Chairman:

Q. Just a minute, let me ask one question; you don't mean to say that farmers who ship direct to your plant in Montreal are not paid on the basis of any surplus milk?—A. Yes, they are. What we actually do, we take the entire receipts, and whatever is returned in the entire receipts is blended over the average, whether he is a direct shipper or indirect shipper.

By Mr. Brown:

Q. You use your receiving plant as a regulator of your supplies?—A. Yes, and we feel that we can give it better care, because it comes in under refrigeration; if there are any rejects from the farmer, they are rejected there and not sent to Montreal where he has to pay freight on it.

By Mr. Tummon:

Q. So that all the milk that you have described as surplus milk, does not all go through your receiving depot?—A. Yes.

Q. Well, I thought you told the Chairman just now that it did not?—A. Well, I don't know whether I made myself clear or not.

Q. I wanted to get that.—A. We have two receiving depots—

Q. I know you pay everybody by the same system, but have you not some shippers that instead of shipping to your receiving depots, ship direct into your plant at Montreal?—A. Yes.

Q. Don't they have some surplus milk?—A. Well, they share this surplus.

Q. I know they share, but part of it comes in there?—A. Could I put it this way, it is probably allotted among all shippers.

Q. Yes, but the fellow who ships his milk directly into your plant at Montreal and receives returns the same as surplus milk, does not get the freight paid?—A. No.

Q. He pays the freight?—A. He pays the freight.

Q. But the other fellow,—you pay the freight on the surplus milk?—A. Yes.

Q. In other words, you hold it back at that depot?—A. Yes.

Mr. Hackett: It is off-set.

Mr. Tummon: It is off-set on your charge.

By the Chairman:

Q. There is no discrimination between the direct shipper and the indirect shipper?—A. No, they are all charged with their proportion of the surplus.

Mr. Tummon: You said the amount was 26·4. How do you use—

By Mr. Hackett:

Q. What per cent goes in directly and not through the station, the receiving station?—A. Well, I have not got that figure here. I could give you it roughly.

Q. Just roughly?—A. Do you want that percentage?

By Mr. Tummon:

Q. Roughly what it is.—A. No, I have not got the surplus.

Q. You could furnish that?—A. Yes, I could furnish that.

Q. You will do that?—A. Yes.

Q. Will you tell us what use you make of this surplus milk, how you use it up or dispose of it?—A. We have two means of disposing of it. First of all, we try to sell it and market it at the highest price that will give a return to the farmer, that is in cream form; but there is only limited sales for the cream, and the balance goes into cheese.

Q. And butter?—A. No butter.

Q. You do not make butter?—A. We do not make butter.

Q. You use certain quantities of it for your sweet cream trade?—A. Yes.

Q. Of the surplus milk?—A. Yes.

Q. And I suppose you have quite a sweet cream business?—A. Well, not as much as we had.

Q. Well, there are lots of us in the same way, as far as cream is concerned, too. Do you buy sweet cream from certain producers?—A. No.

Q. Then all the sweet cream that you use in your sweet cream delivery trade in Montreal is derived from this surplus?—A. That is right.

Q. Can you tell us how many pounds of that surplus milk was used in your sweet cream trade?—A. Well, I cannot tell you. We have a record. I will be glad to furnish that.

Q. You will do that?—A. Yes.

Q. Can you tell us what was the average butter fat content; can you say that?—A. On all the milk received?

Q. That was used in your sweet cream trade?—A. I cannot tell you that.

Q. You could not tell us?—A. No.

Q. Could you tell us how many pounds of butter fat that percentage of the surplus contained?—A. Yes.

Q. Will you do that?—A. I will do that.

Q. All right, if you will furnish that. How do you sell that cream, Mr. Conklin?—A. Well, it is sold in various forms, in bulk, and mostly in half pint bottles.

Q. All sold by measure?—A. Well, yes.

Q. I mean by pints?—A. Pints, quarts, and what we call bulk is in cans.

Q. And you sell it then by quality or grade?—A. According to the fat test.

Q. According to the butter fat content; how many grades do you have?—A. We have four.

Q. What are those grades?—A. Ten per cent, fifteen, thirty and forty.

By the Chairman:

Q. That is in accordance with the Montreal by-law?—A. Well, only the labelling. We are required to label the fat content on all of our caps. We can put 50 per cent cream or any percentage we like in, but it must bear the label of the fat content. It generally comes in fives.

By Mr. Tummon:

Q. Can you tell the committee how many quarts of each grade that you sold?—A. Of cream?

Q. Of cream, during the year 1932, I am dealing with. All my questions have been directed to the year 1932.—A. I could do that, but I have not anything on cream with me.

Q. Will you furnish the committee with that information?—A. I would be glad to.

Q. The number of quarts of each grade that you sold during the year 1932. You say you have nothing on cream here?—A. I have nothing on cream, because I came prepared to discuss milk.

Q. Can you tell us the average selling price for each grade?—A. I would be glad to do that.

Mr. BERTRAND: The quantity also.

Mr. HACKETT: He says he can give us the price now.

By Mr. Tummon:

Q. You can give us the price now?—A. No, I don't know the price of the cream.

Mr. BROWN: The prices of each grade.

Mr. TUMMON: The average selling price for each grade for the year 1932, that is the question I asked.

By Mr. Pickel:

Q. What is cream selling for now?

Mr. TUMMON: Well, you ask that after a while. I want to get this thing cleared up. Now, I would like to know—

By Mr. Tummon:

Q. Now, we have covered all your purchases. You say that you buy all your raw product—let us call it raw product—in fluid milk?—A. That is right.

Q. You buy no sweet cream?—A. No. Well, I say no—sometimes if we are short of milk, we might, but that has not happened for years.

Q. If you bought any sweet cream during the year 1932 over and above fluid milk, will you furnish the committee with the amount?—A. Yes, I will be glad to do that.

Q. And the number of pounds of butter fat that it contained?—A. Yes.

Q. Now, you did not buy any churning cream?—A. No.

Q. You do not make butter?—A. We do not make butter.

Q. Now, we have covered first what is called your market price milk; we have covered your surplus milk; we have covered your sweet cream; that includes the only way you dispose of this fluid milk that you purchase?—A. That is right.

The CHAIRMAN: Except buttermilk.

The WITNESS: Well, in buttermilk, which I explained in my paper there.

By Mr. Tummon:

Q. Buttermilk?—A. That is made, as I read in the paper there from the whole milk at the producer price.

Q. Do you make ice cream?—A. We don't make ice cream.

Q. You have not a financial statement with you this morning?—A. No, I have not.

Q. Of your company's year's business for 1932?—A. No, I have not.

Q. Will you furnish the committe with that statement?—A. I will be glad to.

Q. An auditor's statement?—A. I will be glad to.

Q. Certified to, of the business for 1932, showing gross profits or gross loss, and the net profit or net loss?—A. I will be glad to do that.

Q. Thank you.

By the Chairman:

Q. Just before you proceed any further, and any other member of the committee begins to ask questions, I would like to clear up one point there. Is all the milk delivered at your depots from inspected stables?—A. Yes.

Q. And you say you separate a certain amount of that milk for your sweet cream trade?—A. Yes.

Q. Do you pay for that milk which is separated for your sweet cream trade at association prices?—A. No, we do not. We term that as surplus.

Q. That is paid for at surplus prices?—A. Yes, that is paid for at surplus prices; but I might say this, it is always a premium over the cheese price.

Q. Well, is your cream not sold at as high a price for butter fat content as your fluid milk?—A. Well, I have not—I don't just know how to answer that question.

Q. I don't know whether I made my question clear or not; but if for instance, you are paying for this at surplus prices, and are selling it for prices that are on the basis of association prices for fluid milk, it seems to me there must be an undue profit there.—A. Well, I don't think you can take fluid milk for the Montreal association price and separate it and produce as cheap cream as you can by buying it from outsiders, barring our surplus, buying from any others. In other words it is mostly—sweet cream is usually based on the price of butter.

Q. Another question—I will leave that for the moment. I noticed as you went along that you included real and personal taxes in one of your estimates there. What do you mean by personal taxes? Is that income tax and so on?—A. Well, now, I am not really familiar with that subject. I am not an accountant; but I know that our accounts are made up from that list, but I just could not explain that myself.

Mr. Hackett: Probably business taxes as distinct from taxes upon their plant.

The Chairman: Well, he mentioned in one place real and personal taxes, which I suppose—

The Witness: I think perhaps I did not finish the sentence—real and personal property taxes.

The Chairman: Oh well, I did not understand the word "property" was included. Another question, and then I will keep quiet for a while.

Q. Have you any way of informing the committee how your reserve for bad debts is made up?—A. Well, it is usually based on our previous year's business; and whatever our bad debts were written off the previous year, we generally set up for the current year.

Q. Are your drivers bonded?—A. Yes, they are.

Q. And are they held responsible for their collections?—A. A certain amount of them. We have a rule with our men that we allow them to trust a householder for one week's milk or product; after that, the driver assumes the responsibility, unless he gets an O.K. from our credit manager.

Q. And they are paid wages, I understand, and a commission as well?—A. Yes.

Q. Commission on sales?—A. Yes.

Q. And you do not make any provisions in these commissions for deducting bad debts from them?—A. No; these men are bonded, and in addition to that they have a cash security which they put up to the extent of—well, they are allowed to go as high as $300, with a minimum of $150. That provides something for loss in case something happens to the driver that might go astray.

Q. I think it would be wise if you would furnish the committee with a little fuller detail how that reserve is made up, when you make your other reports that have been asked for by Mr. Tummon. Now, gentlemen, any other questions?

By Mr. Brown:

Q. Mr. Conklin, is it understood that the financial statement that the witness has promised to furnish will include such details as were given here by witnesses on former occasions; for instance, the price for bottles and the price for horse-shoeing, and wages, light, heat and coal and sleighs and all those details?—A. I will be glad to give you that on bottles. I have that with me.

Q. Well, we might get that; what I want to point out is that the figures you are giving making up the spread do not convey any idea to our minds at all; that is, we are not able to form any estimates as to whether those charges are fair charges or not. For instance, I will give an example of what I mean. We have in a statement that was made $3,065.37 for horse-shoeing; the witness says they have forty-five to fifty horses. Fifty horses would take about $60 a year for horse-shoeing. Now, those of us who have been accustomed to shoeing horses on the farm think that that is a pretty big price, and we would like to know just what the blacksmiths in Montreal charge for shoeing horses. I just give that as an illustration of how impossible it is for us, from the figures you have given, to come to a conclusion as to whether those charges are fair; so that, if you will furnish the details— —A. I will be glad to.

Q. That is what we want to know. We won't discuss the matter any further just now. You have said you have the prices of bottles; we would like to know that, because we have come to the conclusion that that is a very heavy charge, so far as evidence has been given.

The CHAIRMAN: Unfortunately, the last two or three witnesses have not furnished us with their annual statement, their financial statement, while they were being examined; and we have no way of asking questions from the witnesses after they have gone. It seems to me we possibly should instruct the clerk to make it imperative that these statements should be furnished by any witnesses in the future.

Mr. TUMMON: Well, Mr. Chairman, as far as I am concerned personally, the information that was not furnished by the previous witnesses of the companies, which I asked Mr. Conklin to furnish here this morning, I want furnished by the witnesses that have gone before; and if it is in order just at this moment, I feel like moving that the clerk move to ask the former witnesses of these companies to supply this, the information of the financial statement and such like of all the companies.

Mr. BROWN: I think the first witness did furnish that.

Mr. TUMMON: Yes, that is the only one.

Mr. BROWN: From the others we have not had that—gave us the total.

Mr. BOWMAN: Are we going to have that resolution?

The CHAIRMAN: What is your motion?

Mr. TUMMON: That these companies be asked to furnish the same information that Mr. Conklin has furnished this morning, and which they have not furnished, including the financial statement.

The CHAIRMAN: To be included in the record, you mean?

Mr. TUMMON: Yes, to be included in the records.

The CHAIRMAN: And accompanied by an affidavit?

Mr. TUMMON: Yes.

Mr. BOWMAN: No; if Mr. Conklin or some representative from his company is going to file a statement of this company, that is of no value to us at all. unless we have some witness or person who can explain the details to us.

The CHAIRMAN: That is what I am afraid of myself.

Mr. BOWMAN: And if the Borden Company are going to give us any information, in my opinion, at least, it is of no value to us unless some one is here to attend before the committee and explain the details.

The CHAIRMAN: You see, that means calling back the witnesses.

Mr. BOWMAN: All right. I suppose if Mr. Conklin himself comes back or a representative of the company that is familiar with the financial set-up of it, and particulars as to how profits and losses are arrived at, that is what we want. Statements are of no value to us.

The CHAIRMAN: That is why I mentioned in the first place that I think it should be made clear to the witnesses that we should have this financial statement when they first appear.

Mr. BOWMAN: Absolutely.

By Mr. Pickel:

Q. Mr. Conklin, what is the average test of milk you receive?

Mr. BOWMAN: Is that understood, Mr. Chairman, that when we get this financial statement from this company, that a representative of the company attend with the statement, somebody that is familiar with the information in the statements that are to be filed with us.

The CHAIRMAN: I don't know whether that can be done, unless the Committee gives the clerk authority to summon the witnesses, you see.

Mr. BOWMAN: In what way? You have a witness here to-day.

The CHAIRMAN: Yes, I know; but he has been properly summoned.

Mr. BOWMAN: All right.

The CHAIRMAN: If he presents this statement, then it is understood that he returns with the statement.

Mr. BOWMAN: Absolutely, or some one who is familiar with the facts, from the company.

The CHAIRMAN: If that is the wish of the committee—

Mr. BROWN: Certainly, that is the only way.

Mr. BOWMAN: Absolutely.

The CHAIRMAN: That is carried, gentlemen, is it?

(Carried)

The CHAIRMAN: Very well, then, Mr. Pickel.

By Mr. Loucks:

Q. Before Mr. Pickel begins, I think Mr. Brown was asking a question in connection with the cost of bottles. You said you could give that.—A. Yes, I have that information.

Mr. BROWN: Yes, we would like to get that.

By Mr. Loucks:

Q. Yes?—A. Is there any particular item, or perhaps we could get at it better if you ask questions.

By Br. Brown:

Q. Well, my thought was that perhaps you didn't have those full details there; you gave us for instance the percentage of the cost or at least those figures that went to make up the spread?—A. Yes.

Q. But as I said, we have no way of arriving at any conclusion as to whether those particular figures were fair or not?—A. Yes.

Q. We can only do that if we have such figures as I have indicated here in regard to the cost of horse shoeing. You may give the cost of shoeing horses amounted to half a cent or three-quarters of a cent or so much a quart, but we could not tell whether that would be fair or not. As I say, the only possible way for us to arrive at any conclusion as to these figures that make up the spread is to have such a complete statement. For instance, the first firm that appeared before us who gave us those figures, will come back again, I understand, and submit themselves to questioning; but so far, except with the first witness that appeared before us, we have had nothing on which we can form our own conclusions; so that I would like to have a statement with regard to—well, for instance here is one that shows express on cream, wages, bottles, cans, cases, dairy expenses, feed, gasoline and oil, repairs, harness, shoeing, wagons and sleighs. I want a statement from your company that is as complete as this one given us by that witness.

Mr. LOUCKS: We want it for comparison's sake.

By Mr. Tummon:

Q. What was the total cost of your bottles in 1932?—A. The total cost for all bottles was $11,715.54.

Q. That included replacements, breakages?—A. That includes just losses. We work on an inventory, and we only charge for what are missing; either they are broken or lost.

Q. That just means losses then?—A. Yes.

Q. That does not mean replacements?—A. No.

Q. Have you got the cost of replacements?—A. Well, I think it would mean the same thing, would it not? For example, a quart bottle cost ·053.

Q. Yes?—A. And a pint bottle cost ·043; and a half-pint bottle cost ·037. If we lose 100 bottles, quart bottles, we lose one hundred times the quart price which is ·053.

Q. Yes?—A. That is the way we do it.

By Mr. Hackett:

Q. But they are carried in the inventory at cost?—A. Yes, and charged up there at cost.

By Mr. Brown:

Q. You do not charge the consumer for lost bottles, do you?—A. No, we don't. Only from the stores does the consumer pay a deposit on the bottles.

Q. There is another point I wanted to ask you about; what are your relations, past and present, to the chain stores?—A. Well, we have no relations with them.

By Mr. Bowman:

Q. You don't sell to them?—A. We have not had the opportunity; I would rather put it that way.

By Mr. Brown:

Q. You don't furnish milk to the chain stores?—A. No, we don't; we furnish milk to other stores, that is any store.

Q. Yes?—A. The corner grocery, or anything else.

Q. What price do you furnish them with milk at?—A. Seven cents a quart.

Q. And they sell it at what?—A. Well, they sell at eight, most of them; some of them get nine.

Q. Well, your present price for delivering to the houses is what?—A. It is nine cents.

Q. That is the same as those companies that did have a definite arrangement with the chain stores?—A. Well, on this bottle item, I don't know just really what you want, but I have got some things here that perhaps might be of interest.

By Mr. Tummon:

Q. I think what the committee wants to know is if that $11,000 in round numbers—I just don't remember the odd figures—if that represents the total amount of your bottle costs for the year 1932?—A. Well, replacement costs.

Q. I know, but if you carried them on your books at their full value, and you broke one and pay five cents it cost you five cents to put that bottle back, and you put that back as a replacement, it is included in that $11,000; is there any other item beside the bottles?—A. No.

By Mr. Hackett:

Q. Might increase the amount of stock; is that loss based on the inventory or cost price?—A. Well, I think it is all the same, because after all, a bottle I do not think depreciates.

Q. That may be; but there is a fluctuation in the price of bottles?—A. Well, it would be at the cost of the bottle.

Q. Yes; so that if you have 100 bottles which cost you three years ago one dollar or ten dollars and they are broken, your charge would be $10 quite regardless of what it would cost you to buy another 100 bottles?—A. The average cost would be charged up.

Q. And the price which you would pay for new bottles would be reflected in your inventory for the next year?—A. That is right.

By the Chairman:

Q. Mr. Conklin, I was told the other day by a man who was interested in a distribution company in Montreal, that the average life of a bottle was five trips; can you tell me whether that is a fair statement or not?—A. Well, it does not compare very favourably with our operations. I might tell you that the average trips of our bottles for 1932, taking in all kinds of bottles, quarts, pints and half-pints, was 54·3.

Q. That is very different.

By Mr. Tummon:

Q. You have not any idea how many bottles you carry, how many dozen bottles you have on hand?—A. Yes, on the end of December we had 170,024 bottles.

Q. 170,024 bottles?—A. Yes.

Q. And you handled with that really 26,000,000 and some odd pounds of fluid milk, that is less surplus?—A. Well, could we put it this way, that we handled about 9,000,000 packages of bottles; that would be half-pints, pints and quarts.

Q. The average cost, from the figures that you gave us, would be somewhere around 5 cents a bottle, 4, 5, 6?—A. The average bottle would be ·05651 cents.

Q. ·05651?—A. That is carrying it to five places.

Q. The average cost would be in excess of 5 cents a bottle?—A. Yes.

Q. Well then, if I were handling about 13,000,000 pounds of milk per year, and had a bottle cost of $106,000, I should think that would be a very high cost for bottles.—A. Well, our cost was $11,000 for nearly 9,000,000 packages.

Q. But if you only handle half that quantity of milk and had a higher cost — —A. It all depends on the trips you get out of a bottle. Some work very efficiently on bottle collections.

Q. If it were costing you as I say, you would begin to get busy and check up?—A. Yes, I think I would.

By the Chairman:

Q. What is the average test of the milk you receive?—A. In 1932 it was 3·7 plus.

Q. At your country depots, is pasteurization done there?—A. No, only of the skimmed milk that goes back to the farm.

Q. That is pasteurized?—A. That is pasteurized. That is according to the Dominion regulations.

Q. What about the whey?—A. They do not use much whey because skimmed milk is so cheap, five cents a can, very little whey used.

By Mr. Pickel:

Q. What proportion of the surplus milk received at the depots is churning; how much cheese do you make?—A. I have not—the cheese and the cream together is about 26 per cent over the year, but I have not the records here, to show what the percentage is of cream and what of cheese, but the greater part is cheese.

Q. The surplus was 26 per cent.—A. Yes, the greater part of that was cheese.

Q. Most of that was made into cheese?—A. Yes.

Q. Would you send us in your statement of that fact?—A. Yes, I would be glad to.

Q. How much do you pay your drivers?—A. Well, for the year 1931, the average driver got $31.66; in 1932, he got $29.05.

By the Chairman:

Q. Per week?—A. Per week.

By Mr. Pickel:

Q. Per week?—A. Per week.

Q. When did pasteurization come into effect in Montreal?—A. I don't know.

Mr. Gobeil: 1925.

By Mr. Pickel:

Q. Can you give us an idea of the cost of pasteurization?—A. You mean per quart?

Q. Per quart or gallon.

Mr. Brown: Per gallon.

The Witness: Well in this breakdown which I have just produced, expenses include pasteurization and the bottling and washing of the bottles and loading and so on, and it cost us ·0119 cents per quart. Now then, how much of that operation is pasteurization—

Q. It is not very much?—A. Well, it goes to make up this ·0119.

Q. It is not five or six cents a gallon.—A. It could not be because our total cost is ·0119 cents a quart.

Q. Now, Mr. Conklin, how long have you been in business in Montreal? —A. Twenty years, since 1913.

Q. In receiving milk at your depot in Montreal, your distributing plant, comparing prices then and now, how do they compare in regard to the prepared milk for sale?—A. The cost of the operation, you mean?

Q. Yes, the cost of your operation.—A. Well, I don't know, I have not got anything to show.

Q. Would it be any more to-day than it was then?—A. Well, I would say over 20 years ago—

Q. Having in mind bottling methods and so forth?—A. Yes. On the item of wages alone, the men are all getting more than they did 20 years ago.

Q. That has not been reduced. Now, in distributing milk through the city, has it not become much easier; is it not done more easily and quickly by the bottling process than it used to be with the old cans?—A. I would think so, yes, individual customers.

Q. When you came to Montreal, did you establish yourself as an individual plant?—A. Yes.

Q. You started afresh?—A. Yes.

Q. You did not buy any business?—A. We never bought any business.

Q. You bought no business out?—A. No.

Q. Have you bought any since?—A. No.

Q. Your operations in Montreal, are those of an independent company?—Well, it is Borden.

Q. Is it a subsidiary?—A. It is a subsidiary of Borden's Limited.

Q. What is the capitalization?—A. Of our company?

Q. Yes.—A. Capital stock, $357,500, reserve and surplus $789,596.38, or a total of $1,147,096.38.

Q. I suppose that figure totals your assets to-day?—A. I would think so.

Q. That is a true picture?—A. That is the total, yes.

Q. What dividends did you pay on your stock?—A. We did not pay any.

Q. Nothing at all?—A. No.

Q. Your stock is boarded?—A. The parent company is, but not ours.

Q. Who are the stockholders; who is the president?—A. The president of the Borden's Farm Products Limited is A. T. Johnson.

Q. Of Montreal?—A. Of New York.

Q. Who is vice-president?—A. P. D. Fox.

Q. Of— —A. New York.

Q. You are the manager?—A. I am the local manager.

Q. Who is the secretary?—A. W. H. Rebman.

Q. Are you just doing business down there for your health and experience? Do you pay an income tax?—A. Do I pay an income tax?

Q. The company.—A. Yes.

Q. How much?—A. I don't know.

Q. That seems to be a difficult thing to get at. What is your main object, is it a philanthropic project, or is it for profit that you are operating?—A. Well, I have always felt we were trying to operate for profit, myself.

Q. How do you estimate that profit? Has the capital stock anything to do with it?—A. Well, I am not really familiar with that subject; I do not think I could talk on it intelligently.

Q. Well, who could, connected with your company?—A. Well, our treasurer, or I could file a statement or something additional to what I have.

Q. Who is the treasurer?—A. E. L. Noetzel.

Q. Of Montreal?—A. New York. If you would like a statement I can get one.

Q. What were your profits during the last year?—A. Profits on a quart of milk 0·0068.

Q. Your total profits?—A. I have not got that.

By Mr. Taylor:

Q. With regard to the profits, you say you paid no dividends. As I figure it up you had a profit of ·68 cent per quart, and basing that on your total turnover, it would amount to close to $200,000, or $194,000 to be exact. As you paid no dividends, did this profit go to the parent company?—A. Well, I don't know. I have not anything to do with the financial part of our business.

Q. I should like to ask another question with regard to going into the spread, as apparently that has not been taken into consideration. I understand you handled about 28,000,000 pounds of milk, fluid milk, and it sold at an average price of 10·41 cents per quart. I think it takes about 38·38 quarts of milk to make 100 pounds; is that right?—A. 38·8.

Q. That would amount to around about $38.80 per hundred as the average selling price for your milk. In selling this milk, how do you collect from the distributor? That is, your man who is on the route, does he sell tickets to the consumer?—A. Some.

Q. Some.—A. Some.

Q. Where there are no tickets he collects cash. If I understood you a few moments ago, he is allowed a week to run.—A. That is right.

Q. But you collect your money direct or in advance with the delivery of the milk?—A. No. We do when we sell tickets. But they do not all buy tickets.

Q. You collect when the milk is delivered, or in advance by the tickets? —A. No.

Q. You collect when the milk is delivered, do you not?—A. If they have the money, but usually they pay about once a week, and some pay once a month.

Q. Well then, on this quantity of milk you at least get paid by those to whom you sell tickets, and you get paid in advance, and some to whom you deliver pay you on the spot, and some cannot pay at the time.—A. On the average they do not pay for it when they get it.

Q. They pay weekly?—A. Monthly, weekly, and sometimes they do not pay at all.

Q. Yes, I agree you have some losses, the same as all the rest of us; but the point I want to make is this, when do you pay the purchaser for this milk? —A. We pay him on the 15th of the following month.

Q. That is, you have the use of the money from the time of delivery up until you pay?—A. Yes.

Q. Up until the time you pay to the producer. Have you taken into consideration the interest accumulated on this money during that time, in arranging for your spread?—A. Well, I do not know just how it is worked out, but I assume our outstanding will more than offset our outstanding to the farmer.

Q. I understand in your spread here you allowed for bad debts separate from the 68 cents. I think you allowed separately for bad debts. If I am not mistaken in your statement—I did not get it all down—I think you allowed for bad debts and debts impossible of collection outside of your profit.—A. That is right.

Q. Then you have not taken into consideration in your statement the interest you would get on this money, that is taken in and held before it goes out to the farmer, the producer.—A. No, because I do not think there is any interest if we were—in other words, our outstanding is longer, is over 30 days, our average outstanding to the consumer. Now, our farmers are outstanding or rather our outstanding to the farmer is a trifle over 30 days.

Q. Fifteen days, half a month over.—A. Well, that is if you start from the the first of the month; but if you start at the last day of the month it is only 15.

Q. It is a month and 15 days.—A. And from the last of the month it is 15 days.

By Mr. Pickel:

Q. What about the price of cream? You did not give us the price of cream for 1933. What is the price of cream to-day for 10 per cent, 15 per cent, 30 per cent and 40 per cent cream?—A. Well, the top retail price of 10 per cent cream is 8 cents; it is retailing at 8 cents.

By Mr. Hackett:

Q. At what?—A. Eight cents a half pint.

By Mr. Pickel:

Q. A half pint?—A. Fifteen per cent retails at 12 cents; 30 per cent sells for 20 cents, and 40 per cent cream sells for 25 cents.

Q. That is $1 a quart?—A. Well, that is the top price, the retail price to the consumer.

Q. Basing cream on that price, would it compare favourably with what you pay for milk at association prices in Montreal?—A. I have no figures on that, I do not know.

Mr. TUMMON: He promised to file those.

By Mr. Pickel:

Q. It is taken entirely out of surplus milk?—A. Yes.

By Mr. Bowman:

Q. Mr. Conklin, you gave two items, an item of 01·19 which went to make up a part of the difference between the cost and the sale price, and then you have an item of general and administrative expenses. What portion of that 01·19 was for general and administrative expenses?—A. Well, as I recall production expenses, 01·19, 50 per cent of our administration goes against production expenses, and 50 per cent against selling.

Q. Fifty per cent of that item is for general and administrative expenses. —A. Fifty per cent of our administration goes against production expenses, and 50 per cent against selling, and it goes to help make up the 01·19.

Q. Just exactly what amount have you got there in the breakup of the 01·19 of the general and administrative expenses.—A. I have not got anything. The production expenses is 01·19 which takes into account about 50 items.

Q. But you said one of the items was general and administrative expenses? —A. I have not anything here. One of the items that goes to make up some of those costs, general and administrative expenses, but I have not anything carried out per unit or per quart on general administrative expenses.

Q. What do you mean by saying that out of 01·19 a portion was general and administrative expenses?—A. That is right.

Q. What portion?—A. I don't know.

Q. Then, you also said out of the cost item that you gave us 04·12, there were general and administrative expenses there?—A. Yes.

Q. What is general and administrative expenses?—A. Well, that is half of the total of the general and administrative expenses spread over those two items, one is production expenses, and the other is selling and delivery expenses.

Q. Now, in regard to 04·12?—A. Yes.

Q. Have you the details as to how that 04·12 is broken up?—A. No, I have not.

Q. Your treasurer or whoever will produce the financial statement will be able to give us those details?—A. He will.

Q. What amount last year was set off for bad debts, what actual amount?—A. I don't know.

Q. But the treasurer will be able to give us that information?—A. Yes.

Q. Upon what do you make a profit besides your whole milk?—A. We make—

Q. You gave us details of the ·0068 per quart as the amount made on this spread, which figures to $194,000 and some odd dollars. On what else do you make a profit?—A. We endeavour to make a profit on every product we sell.

Q. On what others would you make a profit?—A. We have cream.

Q. You make a profit on cream?—A. We do.

Q. What profit did you make last year on cream?—A. I have not got that. I only came here to talk milk.

Q. On what else do you make a profit?—A. Malted milk.

Q. Have you the details of that?—A. I have not.

Q. Your treasurer will be able to give us those details?—A. Yes.

Q. On what else do you make a profit?—A. Cottage cheese.

Q. Have you any details here?—A. No.

Q. What else?—A. Butter.

Q. Butter?—A. Butter.

By Mr. Hackett:

Q. You also sell butter and eggs?—A. Yes, butter and eggs.

By Mr. Bowman:

Q. Let me get it in detail, so we will know on what they do get a profit. On butter?—A. Yes.

Q. And eggs?—A. Yes.

Q. What else?—A. I think that covers our list.

Q. Buttermilk?—A. We sell buttermilk at no profit.

By Mr. Pickel:

Q. How much do you sell?—A. Very little.

Q. How much do you sell it for?—A. Eight cents a quart.

By Mr. Bowman:

Q. Eight cents a quart?—A. Yes.

Q. Now, I think you said to Mr. Pickel that the company had not paid any dividends; is that correct?—A. Well, I am speaking of 1932.

Q. 1932?—A. Yes.

Q. Do you know the financial set-up of the company?—A. No.

Q. You don't know how much is common stock?—A. I am not familiar with it.

Q. Or what the indebtedness is?—A. No, I am not familiar with the stock.

Q. But you will have somebody from the company who can give us those details?—A. Yes.

Q. In 1931 did they pay any dividends?—A. I don't know.

Q. From the information which you have in hand at the present time, can you give us details as to the profits made by the company in 1932 except the information which you have given us with respect to whole milk?—A. You mean as a total?

Q. As a total, yes.—A. I can.

Q. Do so.—A. Our net income in 1932 was $96,159.77.

Q. That is net?—A. Net.

By the Chairman:

Q. Net income?—A. Net income.

By Mr. Tummon:

Q. Ninety-six thousand?—A. $96,159.77.

By Mr. Bowman:

Q. Would you mind telling us how that amount is made up?—A. Well, this is as a result of the sale of all the products I have just mentioned.

Q. What details have you before you?—A. I have not any other than what I gave you.

By Mr. Pickel:

Q. Do you refer to net income or profit?—A. Net income.

By Mr. Bowman:

Q. Is that net income or net profit?—A. Net income.

Q. What is the distinction between net income and net profit by that figure?—A. Well—I am not an accountant. I believe the way it is set up is net profit. From that is deducted income tax and so on, and then after we have in other income like bank interest and so on, that is added to it which gives you the final result of net income.

Q. The reason I asked that is quite clear, Mr. Conklin. You see the net profit on the handling of your milk would be $194,000, and I should like to know how you show a net income of $90,000.—A. Of course, I would like to know how that is arrived at.

Q. You are not in a position to say how the $90,000 is arrived at?

Mr. Hackett: He would like to know how you arrive at $196,000.

By Mr. Bowman:

Q. I have taken the figures you gave as the amount of milk which you handled in 1932, 28,610,234 pounds, and I have multiplied that by— —A. I suppose you took out the surplus, there?

Q. No, I did not; I took the 28,610,234 pounds.—A. Of course, that did not all go into bottles, that 28,000,000 pounds.

Q. It did not go into bottles, but you showed what your average profit was in the handling of it.—A. Well, the 28,000,000 pounds is the total of all milk received, but not all milk sold as fluid milk.

Q. What does your figure of 00·68 refer to?—A. That is on a quart bottle of milk.

Q. Well then, how many pounds are there to the quart?—A. 38-8/10ths.

Q. To the quart?—A. 2·58.

The Chairman: Mr. Bowman, I think the witness gave the number of packages that they had delivered as fluid milk. Could you not arrive at it more directly than that?

By Mr. Bowman:

Q. I should imagine if you divide the result I have here by 2·58— —A. May I sugegst this: you take 28,000,000 pounds of milk and deduct from that 26 or 27 per cent that went into cheese and did not go into the bottle of milk—

Mr. Pickel: Not in cheese.

Mr. TUMMON: It does not make any difference where it goes.

Mr. PICKEL: Quite a share went into cream.

By Mr. Bowman:

Q. In any event you do not know just the exact details of this net income.—A. No, I cannot tell you the details.

Q. Nor the amount that was written off for bad debts?—A. No, I cannot give you that.

Q. You do not know when the company last paid dividends?—A. No, I don't know that.

By Mr. Pickel:

Q. Are you operating any other company in Montreal besides your company?—A. Well, I am representing the Borden's Farm Products Company, Limited, which is the only company I am in contact with.

Q. Does the Borden Company itself?—A. Yes.

Q. They have another company?—A. Yes, the J. J. Joubert is a subsidiary of Borden's, Limited.

Q. When did they purchase that company?—A. Well, I have not the date, but I would suggest three years ago.

Q. Do you know how much they paid for it?—A. No.

Q. Or the profit on what they bought?—A. No.

By Mr. Bowman:

Q. I think what Mr. Pickel is trying to get at is, does the company on which you are giving evidence, the Borden Company, have any subsidiaries in Montreal?—A. Borden's Farm Products Limited?

Q. Yes.—A. No, we have no subsidiary.

Q. Nor any associate company?—A. No.

By the Chairman:

Q. You say that you have two milk depots?—A. Yes.

Q. The J. J. Joubert Company gets some of their supplies from these depots?—A. Well, very, very little; they have their own direct shippers.

Q. At the same time those two depots do deliver certain amounts of supplies to the other subsidiaries of the Borden Company?—A. Well, very little. We have done it; if they are short of milk or cream, we would sell them the same as any other dealer, but they depend entirely on their own stock.

Q. Sold on a straight business basis?—A. Yes, just the same as we would sell any other one.

By Mr. Bertrand:

Q. You said a moment ago you were making cheese in your different depots? Who makes the test of the milk in regard to butter fat?—A. We have a qualified milk tester there of our own, and it is also under the supervision of the Dominion Cheese factory inspector.

Q. In Ontario, particularly, the province has different inspectors taking samples of milk and making tests once a month. Are you regulated by that test or your own representative?—A. By our own representative.

Q. So your company makes its own test?—A. We make our own test; we take a sample every day.

By Mr. Tummon:

Q. But you are checked up by the provincial inspector out there?—A. We keep those samples of our own for a period of ten days after we run them, and each sample is kept on a file to be rechecked by the government inspector.

By the Chairman:

Q. Under the supervision of the checkinng of the inspector?—A. Only by our own man, who is a qualified man to test.

By Mr. Bertrand:

Q. Now, you said you were paying association prices to the producer. How do you arrive at the price you paid to the producer?—A. Well, I think I mentioned in the statement there in every case if the price of milk should go down we call on the producers' association and arrange a meeting and the price question is discussed between the producers and the distributors.

Q. May I ask when you come to agree with the producers do you use as a basis the price that is paid in the factories for the making of butter and cheese to determine the price to be paid to the producer?—A. No, we only discuss fluid milk prices, the milk that is to be sold as fluid milk.

Q. What are the factors on which you discuss the price to be paid to the producer?—A. If we feel the price should come down to the producer, we just simply discuss that, that it should come down a certain amount.

Q. What makes you feel the price should come down?—A. Because of the competition we are confronted with on the selling end.

Q. Consequently I understand your basis would be the possibility of selling your milk at so much per quart. You have a set spread fixed guaranteeing your own profit and then you confront the producers, or the association does, simply stating this is the price at which we are going to sell, this is our spread, and this is what is left to you.—A. No, no, the other way around. I believe that any good business concern always takes into consideration the cost of their product, whether it is milk or something else, and to that cost you build up your other costs, which constitutes the price to the consumer.

Q. Are you under the impression that this is what happens with the producers at the present time?—A. I am not familiar with that part of it, but that is the way that worked.

Q. You are very lucky. We were told here by one witness that there was a decline in price of 1 cent per quart lately in Montreal on the selling price of milk?—A. Yes.

Q. We were told also that the distributors needed a certain spread—I suppose for their operations—and that eventually the price of milk would have to go down before very long; is that your opinion?—A. That is not my opinion.

Q. You claim then that your company will be able to pay the same price to the producers for some time to come in spite of the fact that you are selling your milk cheaper in Montreal?—A. No. I would not say that.

Q. On the other hand you said that the reduction of 1 cent per quart that has occurred lately would not compel your company to reduce their price?—A. Will you repeat that?

Q. You said in your former answer that the reduction of 1 cent per quart in the selling price to the consumer in Montreal would not compel you to reduce your price to the producer?—A. If I did say that, all right; but I cannot say that this will not react on the producer some day.

Q. That is exactly what I am coming to. Will the fact of the reduction of 1 cent per quart to the consumer in Montreal lately, react on the price paid to the producer?—A. I cannot answer it, but most likely it will.

Q. It usually does. Consequently, all that the producers have to protect themselves with is to accept what you are going to offer to them after your spread has been safeguarded?—A. No. I would not say that.

By Mr. Dupuis:

Q. What would you say?—A. I would say that everything is in the producer's hands to make his own price.

By Mr. Bertrand:

Q. Explain how?—A. It is just a matter of organization.

Q. Are you aware that there is a certain competition among producers selling milk at a cheaper rate than the association price in Montreal?—A. I am very much aware of it, and also that the consumers are buying at a cheaper price as a result of it.

Q. May I ask if you welcome that competition?—A. We do not.

Q. May I ask if you could suggest something to prevent that competition?—A. No. I do not know that I have anything to suggest. That is what I think we are all trying to find out—how to do it; but I do not know how it is going to be done.

Q. You are probably aware that the producer is selling below the cost of production at the present time?—A. I am not familiar with that.

Q. Does it not seem funny to the company you represent and other companies who are fixing these prices that it necessitates a spread of 6 cents a quart and over to deliver the milk while the producer has to cover his whole cost of production in the raising of cattle and the keeping up of his farm for 2 cents per quart after transportation charges are taken off? Now, do you think that sounds reasonable?—A. Well, I know it takes the 6 cents to distribute it. I do not know about the production.

Q. You have answered indirectly; but still you said a moment ago that the producers were treated on a businessman's basis, and they were paid for the real fair vaule of the produce they were delivering?—A. I believe they are paid what they ask.

By Mr. Wilson:

Q. Do you think the producer is paid a fair price for his product?—A. No, I do not.

Q. Could you give any estimate, if the producers' price was based upon the same basis as yours is, what he would be getting for milk—I mean with everything added as you have added it to your overhead?—A. There is a wide opinion on that; but I am sure I could not answer the question on the cost of production.

Q. You say you do not think he is getting enough?—A. Yes, I do not think he is getting enough.

Q. What did you say you paid to the drivers per week?—A. In 1931 we paid $31.66—that is an average—in 1932 we paid $29.05.

Q. Do you allow them any commission?—A. Their commission is included. That is their total earnings.

Q. What is their straight salary without commission?—A. In 1931 and 1932 it was $21, plus 4 per cent on the money turned in on the collections.

Q. Where do you get your losses? In your case, I suppose, the drivers buy tickets from you?—A. Yes.

Q. You stated that they would let a customer alone for a week?—A. Yes.

Q. And then you cut the customer off?—A. No.

Q. What did you do? Who is responsible after that week for the loss?—A. Our company.

Q. Not the driver?—A. Not the driver.

Q. What is the driver responsible for?—A. He is responsible for collecting money. That is, it is part of his salary. He gets 4 per cent of the money collected. Naturally, he is a good collector.

Q. But you do not cut your customers off after the end of the week?—A. It all depends on the risk. We have some customers that are good risks at a month and two months. We have others that are not so good.

Q. Where does the greatest amount of your loss come from?—A. You mean on bad debts?

Q. Yes? Where do you get your losses from? I do not mean outside of the losses of milk bottles. Do you get your losses from non-collection returns?—A. Yes. There is some loss there.

Q. Is any of this charged up to the driver?—A. Only after the first week. If we put a stop on the first week, and the delivery man trusts it after that period why he is responsible.

By Mr. Hackett:

Q. After the stop has been put on?—A. After we put the stop on. We have a control on that.

By Mr. Wilson:

Q. But he must stop?—A. Yes.

Q. That portion of the loss is accountable for?—A. Yes, that portion after the stop has been put on, he is responsible for that.

By Mr. Brown:

Q. Have you ever considered the question of making the delivery man responsible for the bottles?—A. Well, we have not, because we feel that we have a very efficient operation on bottles.

Q. It is the custom, is it not, for all those who handle soft drinks of one kind or another to require a deposit on their bottles?—A. Yes.

Q. And they probably do not lose as much on bottles as you do?—A. I do not know.

Q. I think we can take it for granted that if they paid a deposit on them they do not. From the standpoint of the farmer—of the producer of milk, don't you think he would benefit if you were a little more rigid in requiring the return of the bottles?—A. Well, I believe we are very rigid in our company because we get around sixty some trips per bottle.

Q. It is worth considering, I think, as to whether you might not make the driver responsible for your bottles.

By Mr. Tummon:

Q. Mr. Conklin, how often do you make a check-up on the operations of the company—weekly or monthly or daily?—A. Do you mean with our men?

Q. On the general operation of the company—your deliveries and your profits and so on?—A. That is done monthly.

Q. That statement is made up monthly, but don't you make a check-up more than each month?—A. As far as the driver is concerned, we check him up in the morning and check him back at night. That is done daily.

Q. What about your supplies?—A. Our supplies?

Q. Your receipts of milk and your sales?—A. That is done daily.

Q. At the end of each week you have a pretty fair idea as to what business has been transacted during the week and the profit and loss made?—A. We would know about the business done, but we would not know about the end of the week—until the month had closed.

Q. Would you have an idea?—A. No, not very well. We would know what we sold in quantity, but not in profit.

Q. Mr. Bertrand spoke of the drop in the price of 1 cent a quart to the consumer?—A. Yes.

Q. When did that take place?—A. February 27th.

Q. Have you checked up since as to whether you are operating at a loss or a profit?—A. No. I do not feel we have to check. I feel it is going to be at a loss.

Q. You feel it is?—A. I feel it is.

Q. But you have not checked at all?—A. I only know in the statement I gave you that there is a profit of 00 something on a quart of milk, and if you take a cent off that we are certainly in red figures.

Q. Will you say here this morning that your company has, since the 27th day of February, operated at a loss?—A. I would not make a positive statement of that, because I am only going by our past performance that we only made in 1932, a net profit on a quart bottle of milk of ·0068, and if we were to sell at a cent less and pay the same price I would assume we would be in red figures.

Q. On February 27th, when you agreed to this reduction to the consumer of a cent a quart, your company knew that they were going to operate at a loss?—A. Well, perhaps we did.

Q. Well, did you or did you not?—A. There was nothing else to do to meet the situation there as it was.

Q. That is the point I am trying to make. You deliberately did set out to operate at a loss from February 27th on?—A. I would say so.

Q. Previously in the history of your company had you done that?—A. Yes. When we started our company we ran years at a loss.

Q. Twenty years ago?—A. Yes. In order to build up the business, due to the small volume.

Q. Apart from that period of 20 years, you have been able, nevertheless, to set up reserves of double the amount of your original capital stock; is that not so?—A. I would say so.

Q. So that taking the whole 20 years into consideration you have not done too badly?—A. We operated at a profit.

Q. Can you say at what period during the last two or three years—perhaps 1930 and 1931—that you deliberately set out with the policy of operating in the red?—A. No, we have not.

Q. So that February 27th last was the first time?—A. Yes.

Q. Within your memory?—A. Yes.

Q. The first time that you know that your company set out to operate at a loss and without passing on to the producer the loss which you now say you believe you are operating at?—A. Yes, on a quart bottle of milk.

Q. And just what was it that induced the company to make this new departure?—A. Well, we had nothing else to do to meet the competition of the other dealers selling at a lower price.

Q. In the past 20 years you had something else to do and passed it on to the producer?—A. I do not think it could be passed on in this instance.

Q. You do not think at this time it could be passed on?—A. No.

Q. So that a new state of affairs has arisen in the milk situation during the past month?—A. Well, so far.

By Mr. Brown:

Q. I think, Mr. Chairman, it is desirable to emphasize that point again—the point made by Mr. Bowman and Mr. Bertrand—coupling it up with the evidence that was given by former witnesses who testified that pressure had been brought to bear on them by the chain stores, and it was because of that pressure that they had to reduce the price of house-to-house delivery by 1 cent. Now, Mr. Conklin, was that the reason why you had to submit as well as the others?—A. I could not make that statement frankly because we do not serve any chain stores. On the other hand, it is pretty hard for us to sell our milk at a higher price than a company that sells to chain stores.

Q. I wanted to couple up the evidence given by former witnesses with your admission that you have been compelled by competition to reduce the price to 9 cents?—A. Yes.

By Hon. Mr. Weir:

Q. Supposing you delivered all your milk without competition in a particular zone, what would you estimate to be the reduction in the cost of delivering milk in Montreal?—A. I could not say.

Q. I wonder what you pay for the duplication?—A. There is some overlapping due to the number of milkmen on the same route.

Q. Would it be possible to get an accurate estimate on that?

By Mr. Tummon:

Q. Mr. Conklin, in order that we may clear up that profit for a quart of milk in figures that an ordinary chap, like myself, can understand. You said the profit per quart of milk was 00·68.—A. That is right.

Q. If I figure that correctly that means, in round numbers, two-thirds of a cent a quart?—A. Yes.

Q. Really 00·66 would be two-thirds?—A. Yes.

Q. Right, I just wanted to clear that up. Now then, in addition to the competition from the chain stores, we were told in former evidence that a certain distributing plant in Montreal sold to a chain store, and that chain store sold it out retail at 5 cents a quart. Do you know that for a fact, Mr. Conklin?—A. I don't know about the 5 cents; but I know the stores are selling there now at 7 cents.

Q. Some of the stores are; some of the other stores are selling at eight?—A. Some of them are selling at eight.

Q. And that has the effect of depressing the price to the consumer; or what was the price per quart?—A. Yes.

Q. And that reduction was not passed on to the producer at the time?—A. No, it was not.

Q. Now, are there any other factors which enter into the question that have a tendency to reduce the price in Montreal, and thus force the price down to the producer? We were told that there were 410 distributors, or dealers, in the city of Montreal; or about 410?—A. Well, that is my understanding. There were over 400 milk dealers did take out licences during the year 1932.

Q. Now then, do you know how many pasteurizing plants there are in Montreal?—A. I am told there are 33.

Q. Then the difference between the 33 and the 410 would be just simply jobbers, or dealers?—A. Yes.

Q. How do these jobbers operate?—A. Well, my understanding is that they go to one of the distributing plants and buy a quart of milk, or their quantity at so much per quart, and sell it at whatever price they wish to sell it at.

Q. So that if you and some of the other distributing plants were delivering in a certain section, and a driver was dismissed or in some way left—some person let out—some person else could come along, go to the city hall and get a licence, and he could go to certain distributors in Montreal and buy, say a couple of hundred quarts of milk, and go into the district and cut prices to anything he liked?—A. That is true.

Q. Has that factor had a depressing effect upon prices?—A. It has.

Q. Has it had much of an effect?—A. Well, I would say a lot.

Q. Has it had a tendency in the past, that you know of, to depress the price to the farmer, or to the producer?—A. Yes. I would say that it reacts there in the end.

Q. I want to say just there, in all fairness to the witness, I can understand his attitude in business, and what his ambitions are for his company—I can understand the position he is in in meeting these different competitors; I wanted to know if there were conditions that you had to meet, and that is

one of them, that have a tendency to react back. I would say then that that condition, and the condition that has been brought about by the chain stores, are two things that are having a tendency to reflect back a reduced price to the producer?—A. I would say so, yes.

By the Chairman:

Q. I just wanted to ask one question about this chain store competition. Other witnesses have told us that it was because of that chain store competition that the reduction in price of one cent per quart was made. I have been told, on the other hand, from private sources, that these chain stores only keep a very limited quantity of this cheap milk on their shelves and not nearly enough for their total sales during the day. Do you know anything in that regard?—A. No, I do not. We do not serve any chain stores.

Q. It is only a feature and after their 25 or 50 bottles are gone they revert to the original price, you know nothing about that?—A. No.

By Mr. Dupuis:

Q. How long have you been manager of the Borden Dairy?—A. I beg your pardon.

Q. How long have you been manager of the Borden Dairy?—A. Ten years.

Q. I understand that you have not brought your books with you?—A. No, I haven't.

Q. May I be allowed, Mr. Chairman, to bring this to your attention, to see why this committee is not empowered with the right to call witnesses "duces decum", which means to say, "bring with them" the books of their company, so that the witnesses will not be put to the wall in saying, "I don't know," "I am not sure," "I feel," and all that sort of thing, for which the witness is not to blame.

Mr. Tummon: That was discussed before you came here.

Mr. Dupuis: That is all right. I just want to put my view on record the same as the others. I am a member of Parliament, as well as any other member of this Committee.

Mr. Gobeil: Mr. Chairman, I haven't said one word. I was here, one of the first; and I wish to protest against that remark. If a member of the Committee is to come here at twelve o'clock when the information that the meeting started at 10.30 has been given, and start the work all over again, we might just as well give it up. I have one or two questions of my own to ask. I haven't tried to force myself in to ask these questions, but I will never have a chance to ask them if we start all over again.

Mr. Dupuis: The hon. member is not very kind to his colleague, because I think it is the first time I have seen him here.

Mr. Bowman: Oh, no, it isn't.

Mr. Dupuis: Just a minute. In due justice to members, everyone of us knows that sometimes we have some other duties to fulfil which do not permit us to be here on time, and we may be ten minutes late; and I think it is unfortunate that any member will try to put on record that another is late. Nevertheless, I am glad that it is decided that witnesses should come with their books, so that the Committee will have the proper information.

By Mr. Dupuis:

Q. So, you say that you have been the manager of that company for ten years?—A. Yes.

Q. Were you employed with that company before?—A. Yes.

Q. How many years?—A. Twenty-eight years.

Q. So you are conversant with your business. Would you kindly tell us from memory, because you haven't got your books, the average price of a quart of milk in, let us say, in the summer time since 1925, year by year?—A. I could; but I will be glad to file this statement that I read with your committee.

Mr. MULLINS: The witness gave that statement.

By Mr. Dupuis:

Q. Yes, but I just want to come to another conclusion; can you tell us the price at which you sold to consumers in 1927?—A. No, I could not tell you that.

Q. Was it cheaper than or more costly than in 1933?—A. I could not tell you that because I haven't any records with me, only 1931 and 1932.

Q. Just 1931 and 1932. So, although a member of the committee said you gave that before, you did not give it?—A. I was not asked to give it. I was only asked to give 1932, and I gave 1932.

Q. I see. I am asking for 1925, and then on to 1932 year by year. Could you provide the committee with these reports?—A. I could.

Q. Now, I want you to file with the committee further information. Can you tell the committee how much you paid the producer for milk, by the 100 pounds or by the gallon, since 1925, year by year up to 1933?—A. Yes, I can do that.

Q. How do you buy the milk from the farmers? Do they send their milk to your factory—do you pay the cost of transportation?—A. Oh yes, in some cases.

The CHAIRMAN: Before we go any further, some protest was made about members in the committee coming in and asking questions that had already been asked. I think that that point is very well taken. There are sixty members of the committee and everyone has an equal right. But, I think, to further the proceedings of the committee and get along as rapidly as possible, it might be well if we could refrain from asking duplicate questions from time to time, questions that have already been answered. I would ask the committee as far as possible to refrain from doing that.

By Mr. Gabeil:

Q. I just have one or two questions. In answer to Mr. Bertrand a few minutes ago you said that when the price of milk was determined between the producers and the distributors that the price of butter and cheese was not taken into consideration?—A. No.

Q. Do you believe that at the present time and under present conditions the distributors could reduce the prices paid to the producer?—A. On what he is getting now?

Q. Yes?—A. I would not recommend it.

Q. Do you think they would keep on delivering if they did that?—A. You mean, would the producer continue to deliver?—A. Yes.—A. That is a question I could not very well answer.

Q. I was figuring out by the figures given here this morning that the price paid —the association price, or the market price as you call it—was around 90 cents a 100 pounds. Now, at the actual price of butter, taking for granted the average percentage of butterfat delivered in the city of Montreal, which has been estimated as being 3·7, the price paid to the farmer per pound of butterfat on the basis of 100 pounds of milk, would be about 92 cents?—A. That is for 3·5 milk.

Q. That is for 3·7?—A. No, not for 3·7.

Q. I mean, paid to the farmer by the butter factory men?—A. Oh, I don't know.

Q. My reason is, I feel like Mr. Bertrand, that when these prices are established you must consider something as a basis. It is not only a question of saying we will pay 3, or 5, or 1, or 4 a quart; and my point is, that you said that eventually this reduction to the consumer would reflect to the producer. My question is, would it be possible at the actual price of butter to reduce the price to the producer, and for you distributors to keep your trade?—A. As I said before I do not believe the Producer is getting too much for his milk. I do not feel he is getting enough as far as I am concerned.

By Mr. Hackett:

Q. I think what Mr. Gobeil means by his question is whether or not the price of butter has not a bearing on the price of milk, and if you reduce the price of raw milk, so low that it is preferable for the farmer to convert his milk into butter, you won't get it; I think that is his question.—A. That is right.

Q. That is butter prices have a bearing upon the price of milk—butter fat.

By Mr. Brown:

Q. I want to ask one more question. I want to be sure in my mind that I got your answer correctly, that is on the matter of surplus again. I may say it seems to me from your evidence that you have given us the most satisfactory method of handling surplus of any company we have had. Do I understand that you use your two depots, one at Ormstown and one at Maxville as a means of regulating the amount of milk that you distribute in the city?—A. That is right.

Q. Yes; and then at those two points you are able to use your surplus, if I have it correctly, more advantageously than if you were taking all the milk into Montreal and handling it there?—A. Well, that is one reason we have that plan. We feel it is a right plan.

The CHAIRMAN: Well, gentlemen, it is one o'clock.

By Mr. Pickel:

Q. I will be short, Mr. Chairman. You charge 18 cents a hundred on the market rate received at the depots of Ormstown and Maxville?—A. Yes.

Q. How much does that amount to?—A. You mean during a month?

Q. Yes?—A. Well, I don't know. I have not any figures with me.

Q. You have not the percentage; you will file that with the others?—A. Yes, I will.

Q. We were talking about the distribution of milk here. What about the profit on cream? Is that not just as remunerative and a little more so than milk?—A. Perhaps it is, yes.

Q. There is more in it?—A. Yes, if you can sell it; because really to-day cream is a luxury, and it is pretty hard to sell.

Q. But there is more in distributing it than there is in milk?—A. Yes.

Q. Net income, $96,000?—A. $96,000.

Mr. BOWMAN: $90.000, was it not?

Mr. PICKEL: $96,000.

By Mr. Pickel:

Q. What does that mean? Does that mean after all expenses are paid?—A. That means net income after all expenses are paid.

Q. What is done with it?—A. I don't know.

Q. No dividends paid?—A. There is no dividend.

Q. Given out to the hospitals?—A. There is no dividend in 1932.

Q. That is after your salary is paid?—A. Yes.

Q. And all the officials?—A. Yes.

Q. Will you kindly file, Mr. Conklin, a statement here of the other officials' salaries?—A. Yes.

The CHAIRMAN: All right.

Mr. BOWMAN: Before we adjourn, it is to be understood that witnesses from this company produce the necessary financial statement, showing the set up of the company, and so forth, at such time as the Chairman may ask for him to attend.

The CHAIRMAN: Yes, that is understood, gentlemen. We will meet again on Monday morning, at eleven o'clock.

The Committee adjourned, to meet on Monday, March 27, at 11 a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MARCH 24, 1933

No. 8A

Supplement to No. 8

Reference,—Milk and Milk Products

Documents filed by E. H. Conklin, General Manager, Borden's Farm Products Company, Limited, Montreal.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

BORDEN'S FARM PRODUCTS CO. LIMITED,

703 Dominion Sq. Bldg., Montreal, Que.

DATA PERTAINING TO EVIDENCE GIVEN BEFORE THE COMMITTEE ON AGRICULTURE AND COLONIZATION, MARCH 24, 1933

INDEX OF INFORMATION REQUIRED BY AGRICULTURAL COMMITTEE

(–) Page number in official Minutes of Proceedings.

(1)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

1A.—AVERAGE PRICE PAID PER CWT. OF MILK FOR SURPLUS

1932

January	$ 1·0869
February	1·2557
March	1·1226
April	0·8668
May	0·8327
June	0·8427
July	0·7914
August	0·8554
September	0·9614
October	0·9532
November	1·1102
December	0·9997
Average for 3·5 milk	$ 0·9732

Compiled March 31, 1933.

(2)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

QUANTITIES AND PERCENTAGES OF MILK SHIPPED DIRECT AND INDIRECT TO MONTREAL

1932	Total receipts	Shipped direct		To Country plants	
	lb.	lb.	%	lb.	%
January	2,356,950	644,602	27·34	1,712,348	72·66
February	2,238,168	567,024	25·33	1,671,114	74·67
March	2,410,512	536,552	22·25	1,873,960	77·75
April	2,470,068	573,291	23·20	1,896,777	76·80
May	2,649,601	642,052	24·23	2,007,549	75·77
June	3,150,814	707,394	22·45	2,443,420	77·55
July	2,627,603	592,237	22·53	2,035,366	77·47
August	2,130,433	499,953	23·46	1,630,480	76·54
September	2,388,308	527,503	22·08	1,860,805	77·92
October	2,259,924	540,323	23·90	1,719,601	76·10
November	1,900,346	468,636	24·66	1,431,710	75·34
December	2,027,507	526,323	25·95	1,501,184	74·05
Total	28,610,234	6,825,890	23·85	21,784,344	76·15

Compiled March 31, 1933.

(3 and 4)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

POUNDS OF SURPLUS MILK INTO CREAM

1932	Milk	Butterfat
	lb.	lb.
January	213,654	7,482
February	391,694	13,707
March	269,058	9,289
April	....	....
May	254,413	7,792
June	19,115	672
July		
August	....	....
September	....	....
October	63,760	2,400
November	115,953	4,320
December	266,491	9,721
Total	1,594,138	55,383

(5 and 6)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

1932	15% Cream			20% Sour Cream			25% Cream			30% Cream		
	No. of ½ pts.	Value	Aver. per ½ pt.	No. of ½ pts.	Value	Aver. per ½ pt.	No. of ½ pts.	Value	Aver. per ½ pts.	No. of ½ pts.	Value	Aver. per ½ pts.
		$ cts.			$ cts.			$ cts.			$ cts.	
January	53,452	6,854 08	·1285	3,659	442 62	·1209	12,435	2,475 56	·1990	17,918	3,464 84	·1933
February	43,383	5,937 85	·1368	3,829	462 00	·1206	11,501	2,287 03	·1988	36,605	4,574 13	·1249
March	45,557	6,235 51	·1368	4,126	512 73	·1242	11,833	2,353 81	·1989	23,808	3,565 21	·1497
April	41,475	5,647 42	·1361	3,267	395 54	·1210	10,950	2,179 14	·1990	9,086	2,119 53	·2332
May	45,587	6,225 53	·1365	5,867	700 35	·1193	11,836	2,352 23	·1987	41,199	4,801 50	·1165
June	38,999	5,331 61	·1367	5,747	672 91	·1170	9,910	1,966 96	·1984	13,412	2,329 77	·1737
July	35,997	4,863 49	·1351	4,009	489 49	·1220	7,668	1,522 44	·1985	6,971	1,617 23	·2319
August	33,189	4,463 59	·1344	3,493	404 38	·1157	7,175	1,425 84	·1987	5,845	1,187 58	·2031
September	35,290	4,755 79	·1348	2,826	343 29	·1214	8,731	1,736 08	·1988	7,381	1,340 54	·1816
October	36,709	4,976 47	·1355	2,969	361 09	·1216	9,634	1,904 92	·1977	15,351	2,275 55	·1482
November	33,392	4,499 98	·1347	3,011	354 60	·1177	8,963	1,767 56	·1972	24,535	2,957 49	·1205
December	33,256	4,491 61	·1350	3,153	415 98	·1319	10,355	1,946 30	·1879	25,688	3,562 81	·1386
Total	476,286	64,282 93	·1349	45,956	5,554 98	·1208	120,991	23,917 87	·1976	227,799	33,796 18	·1483

SUMMARY

Grade	No. of ½ pts.	Value	Aver. per ½ pt.
		$ cts.	$
15%	476,286	64,282 93	0·1349
20%	45,956	5,554 98	0·1208
25%	120,991	23,917 87	0·1976
35%	227,799	33,796 18	0·1483
Total	871,032	127,551 96	0·1464

(7 and 8)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

CREAM PURCHASED FROM OUTSIDE SOURCES

1932	Pounds cream	Pounds butterfat
January	1,442	493
February	1,292	526
March	1,342	549
April	1,352	529
May	1,695	639
June	1,735	683
July	1,312	547
August	1,127	474
September	930	432
October	395	172
November	....	....
December	....	....
Total	12,622	5,044

(9 and 12)

BORDEN'S FARM PRODUCTS CO. LIMITED

ANALYSED STATEMENT OF NET INCOME FOR YEAR ENDING DECEMBER 31, 1932

—	Year 1932	Percentage of net sales
	$ cts.	
Net Sales	1,047,429 85	
Cost of Sales		
Cost of Products		
Milk and milk products (including freight and hauling)	381,409 61	36·414
Purchased butter, eggs, cheese and malted milk	58,777 95	5·611
Total cost of products	440,187 56	42·025
Production Expense		
Salaries and wages	64,568 63	6·164
Expense	24,443 35	2·334
Materials	34,167 11	3·262
Depreciation	14,551 05	1·389
Insurance	1,190 16	0·114
Taxes	2,466 35	0·235
Other property expense	78 99	0·007
Administrative expense—Actual	3,588 64	0·343
Administrative expense—Transferred	5,489 72	0·525
Total production expense	150,544 00	14·373
Selling and Delivery Expense		
Salaries, wages and commissions	223,536 06	21·341
Expense	44,925 80	4·289
Materials	21,795 45	2·081
Depreciation	18,677 50	1·783
Insurance	1,484 79	0·142
Taxes	5,553 75	0·530
Other property expense	2,250 44	0·214
Administrative expense—Actual	3,588 65	0·343
Administrative expense—Transferred	5,489 72	0·524
Total selling and delivery expense	327,302 16	31·247
Provision for bad debts	3,797 69	0·363
Advertising	15,045 46	1·436
Bottle, box and can loss, including repairs	15,671 80	1·496
Total cost of sales	952,548 67	90·942
Net profit	94,881 18	
Income Additions		
Interest received—Net	10,367 31	(0·990)
Profit or loss on materials sold	99 28	(0·009)
Miscellaneous	5,087 39	(0·486)
Total income additions	15,553 98	(1·485)
Income Deductions		
Dominion income tax	13,685 15	1·307
Provincial franchise or corporation tax	590 24	0·056
Total income deductions	14,275 39	1·363
Net income additions	1,278 59	....
Net income	96,159 77	9·180
		100·00

(No provision was made in 1932 for 1½% Provincial Corporation Tax, or additional ·95 increase in Dominion Income Tax.)

(9A)

BORDEN'S FARM PRODUCTS CO. LIMITED

SCHEDULE SHOWING THE GENERAL COMPOSITION OF COST OF GOODS SOLD. ITEMS APPEARING ON ANALYZED STATEMENT OF NET INCOME FOR THE MONTH AND YEAR ENDED DECEMBER 31, 1932.

COST OF PRODUCTS

Purchase cost of all goods sold, including cost of freight and hauling to Montreal pasteurizing plant.

PRODUCTION EXPENSE

Salaries and Wages.—Salaries of Factory Superintendents and Production Department and wages of plant employees.

Expense.—Includes electricity, general freight and express, and Factory and Production Department expenses other than labour, material, and property expense.

Materials.—Coal and fuel oil, ice, bottle caps and wires, and miscellaneous supplies.

Plant Orders.—Maintenance of buildings, machinery and equipment.

Depreciation.—Depreciation charges by classes of properties:—

	Annual Rate
Buildings	$2\frac{1}{4}$% and $3\frac{1}{4}$%
Machinery and equipment	6 % and 8 %
Wagons	10 %
Horses	$36 per horse
Harness	10 %

Insurance.—Principally fire insurance charges.

Taxes.—Real and personal property taxes, licence fees, etc.

Other Property Expense.—Rents, provisions for reserve for accidents, etc.

General and Administrative Expense.—50 per cent of General and Administrative salaries and expenses.

SELLING EXPENSE

Salaries and Wages.—Salaries of branch superintendents and Sales Department and wages for routesalesmen and branch employees.

Commissions.—Commissions paid to routesalesmen on the basis of points sold and cash collected, including cut money.

Expense.—Electricity, waste products, breakfast for men, and Branch and Sales Department expenses other than labour, material or property expense; also hauling from Pasteurizing Plant to branches, and miscellaneous expenses.

Materials.—Feed and bedding, ice and miscellaneous supplies.

Plant Orders.—Maintenance expense of buildings, machinery and equipment.

Depreciation.—Depreciation charges by classes of properties:—

	Annual Rate
Buildings	$2\frac{1}{4}\%$ and $3\frac{1}{4}\%$
Machinery and equipment	6 % and 8 %
Furniture and fixtures	7 %
Electric signs	$33\frac{1}{3}\%$
Automobiles	$16\frac{2}{3}\%$ and 25%
Harness	10%
Wagons	10%
Horses	$36 per horse

Insurance.—Principally fire insurance charges.

Taxes.—Real and personal property taxes, licence fees, etc.

Other Property Expense.—Rents, provisions for reserve for accidents, etc.

General and Administrative Expense.—50 per cent of General and Administrative salaries and expenses.

Reserve for Bad Debts.—Provisions for reserve for doubtful accounts, based on prior year's percentage of actual losses to sales.

Publicity.—Advertising expenditures.

Container Losses and Repairs.—Cost of bottles, boxes and cans lost and destroyed.

Credit—Broken Glass Sold.—Proceeds from sale of broken bottles.

(9B)

BORDEN'S FARM PRODUCTS CO. LIMITED

STATEMENT OF OPERATING RESULTS—BY PRODUCTS FOR TWELVE MONTHS ENDING DECEMBER 31, 1932—ALSO UNIT AVERAGES

(Figures in parenthesis to be considered in Red)

Operating results	Cream, ½ pts.	Certified milk, quarts	Selected milk, quarts	Milk bottles and bulk, quarts	Butter-milk, quarts	Malted milk, pounds
Sales—Net	$127,551 96	$1,553 75	$23,911 07	$756,415 26	$3,467 83	$6,396 11
Net profit	34,386 59	13 77	2,411 04	54,449 53	(97·25)	457 21
Quantities	871,032	6,215	174,503	7,342,873	35,568	12,683
Unit averages— Sales	0·1464	0·2500	0·1370	0·1030	0·0975	0·5043
Cost of product	0·0550	0·1995	0·0599	0·0414	0·0114	0·4131
Production expense	0·0196	....	0·0168	0·0119	0·0506	....
Selling and delivery expense	0·0313	0·0469	0·0449	0·0405	0·0369	0·0552
Container costs	0·0010	0·0014	0·0016	0·0018	0·0013	....
Income tax	0·0045	0·0003	0·0016	0·0009	(0·0003)	0·0042
Total cost and tax	0·1114	0·2481	0·1248	0·0965	0·0999	0·4725
Net profit	0·0350	0·0019	0·0122	0·0065	(0·0024)	0·0318

Operating results	Butter, pounds	Eggs, dozens	Cottage cheese, ½ pounds	Factory skimmilk, quarts	Factory whole milk, cheese, pounds	Summary
Sales—Net	$48,924 24	$21,231 82	$7,683 35	$1,569 30	$48,725 16	$1,047,429 85
Net profit	2,753 07	1,771 74	1,659 09	(1,489 28)	(1,434 33)	94,881 18
Quantities	174,834	52,860	26,804	651,264	530,946	....
Unit averages— Sales	0·2798	0·4017	0·2866	0·0024	0·0918	....
Cost of product	0·2240	0·3165	0·1777	0·0028	0·0645	....
Production expense	....	....	....	0·0019	0·0300	....
Selling and delivery expense	0·0401	0·0516	0·0471	....	....	....
Income tax	0·0018	0·0039	0·0071	(0·0003)	0·0003	....
Total cost and tax	0·2659	0·3720	0·2319	0·0044	0·0942	....
Net profit	0·0139	0·0297	0·0547	(0·0020)	(0·0024)	....

(10 and 11)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

SURPLUS PERCENTAGE OF TOTAL RECEIPTS

1932	Into cream	Into cheese	Total
	%	%	%
January	9·05	13·47	22·52
February	17·49	1·29	18·78
March	11·20	10·05	21·25
April	......	19·09	19·09
May	9·60	15·73	25·33
June	0·60	42·72	43·32
July	......	41·38	41·38
August	......	27·24	27·24
September	......	29·88	29·88
October	2·82	22·47	25·29
November	6·10	2·10	8·20
December	13·15	9·65	22·80
Average	5·57	20·79	26·36

Compiled March 31, 1933.

(12)

Information included on Document Numbered 9.

(13)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

BALANCE SHEET—DECEMBER 31, 1932

Assets—		
Property and plant—		
Real estate, machinery, delivery equipment and furniture		$ 738,465 54
Reserve for depreciation		286,511 16
Net property and plant		451,954 38
Current assets—		
Cash	$ 123,724 27	
Accounts receivable, less reserve	631,575 29	
Inventory—Products and supplies	8,155 02	
Route salesmen's deposits—Investment fund	5,929 00	
Total current assets		769,383 58
Prepaid insurance and taxes		3,232 15
Total assets		$ 1,224,570 11
Liabilities, Capital and Surplus—		
Current liabilities—		
Accounts payable	56,745 93	
Accrued taxes and payroll	15,873 64	
Total current liabilities		72,619 57
Deferred liabilities		4,854 16
Total liabilities		$ 77,473 73
Capital Stock—		
3,575 shares ($100.00) common stock		$ 357,500 00
Reserves—		
Public liability insurance	20,260 44	
Fire insurance	20,447 64	
Taxes (prior period income accrual)	325 62	
Total reserves		41,033 70
Surplus		748,562 68
Total capital, reserves and surplus		$ 1,147,096 38
Total liabilities, capital and surplus		$ 1,224,570 11

(14)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

RETURNS, BY MONTHS, FROM 18 CENTS HANDLING CHARGE AT MAXVILLE AND ORMSTOWN

1932	Pounds market milk	Total
		$ cts.
January	1,181,476	2,126 66
February	1,250,734	2,251 32
March	1,361,686	2,451 03
April	1,425,126	2,565 23
May	1,336,166	2,405 10
June	1,078,270	1,940 89
July	947,841	1,706 11
August	1,050,040	1,890 07
September	1,147,139	2,064 85
October	1,147,918	2,066 25
November	1,275,768	2,296 38
December	1,038,875	1,869 97
Total	14,241,069	25,633 86

(15)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 Dominion Square Building, Montreal, Que.

March 31, 1933.

NAMES OF OFFICIALS AND SALARIES, 1932

Officers	Salaries
A. T. Johnston, President	
P. D. Fox, Vice President	
W. H. Rebman, Secretary	
B. H. Thoens, Assistant Treasurer	
E. L. Noetzel, Treasurer	
F. R. Elliott, Assistant Secretary	
T. D. Waibel, Assistant Secretary	
G. Bittner, Assistant Treasurer	
F. W. Schwarz, Assistant Treasurer	
E. H. Conklin, General Manager	$ 8,550 00

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, MARCH 27, 1933

No. 9

Reference,—Milk and Milk Products

WITNESS:

N. Charest, Vice-President and Secretary, J. J. Joubert Limited, Montreal.

Appendix B,—Documents filed by Witness.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

House of Commons,

Monday, March 27, 1933.

The meeting came to order at 11 a.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Boyes, Brown, Carmichael, Gobeil, Hay, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Porteous, Senn, Shaver, Simpson, Stewart, Tummon, Weir (*Macdonald*).

Mr. Tummon for the sub-committee on witnesses reported that the officers of J. J. Joubert Limited, Montreal, had been summoned for to-day.

Report concurred in.

Mr. Napoleon Charest, vice-president and secretary of J. J. Joubert Limited, was called and sworn.

The witness read a prepared statement and was examined at length.

Witness filed certain statements which are printed as an appendix to this day's evidence and agreed to file with the clerk certain other statements.

Witness retired.

The meeting adjourned sine die.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 27, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 a.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we have with us this morning the vice-president and the secretary of the J. J. Joubert Company of Montreal, who have been summoned here as witnesses at the instance of the subcommittee. We shall now call on them to give evidence.

Mr. NAPOLEON CHAREST, called and sworn.

The CHAIRMAN: May I say that Mr. Charest has told me that he would much prefer to give his evidence in French. I have persuaded him, however, that it would be of very little advantage to the committee as it is constituted this morning, seeing that there are very few of the French-speaking members here. He has kindly consented to give his evidence in English, and I would ask for the consideration of the committee on his behalf while he is giving his evidence. I am quite sure he will receive every consideration, as it is bound to be rather difficult for him.

The CHAIRMAN: What is your name and address?

The WITNESS: Napoleon Charest, Montreal.

By the Chairman:

Q. What is your position with the company?—A. Vice-president and treasurer of the J. J. Joubert, Company.

Q. I might say to you that the acoustics of this room are not too good, and I would ask you to speak as loudly and clearly as you can.—A. Mr. Chairman, you can see my embrassassing position in trying to speak English.

Mr. MOORE: You speak English all right.

The WITNESS: At the beginning I shall read this document, which I prepared in French and in English for those who do not understand French, as quickly as I can. The document I prepared myself and also translated it into English, and I shall read it in English, although I should very much prefer to express myself in my own language.

Mr. CHAIRMAN,
Standing Committee of Agriculture and Colonization,
House of Commons,
Ottawa, Ont.

DEAR SIR,—Called to testify before your committee, I thought it might be well to submit this statement in order to explain the situation more clearly.

The Dairy Industry, like a great many other industries and especially the industries deriving from agriculture, is since a few years, suffering from a crisis of everproduction. Also, the prices paid by butter and cheese factories for the milk have fallen very low, and a great number of farmers and cattle breeders have looked forward to dispose of the milk

from their herds in the cities which offered immediate consumption in order to receive higher prices for it. This had the effect of increasing the quantity of milk offered on sale in the cities to such an extent that the competition among the various producers has completely disrupted the marketing conditions.

The firm J. J. Joubert Limitée, whom I represent, always buy its milk exclusively from producers who subject themselves to the control of the Board of Health of the City of Montreal. All our shippers must comply with the regulations of the Board of Health, otherwise we refuse their milk. And, in order to make sure that every shipper complies with these rules, that every operation pertaining to the production and handling of milk is carried on in accordance with the standard of hygiene, we have in our employ a sanitary inspector who calls on each of our shippers, to inspect their herds, see that the stables are well kept and that the utensils used are clean. We want to make sure that the herds supplying the milk to us are always in a No. 1 condition, and that the handling of the milk is made in a sanitary way. No milk is bought until the producer has been approved by the Milk Inspection Bureau of the City of Montreal.

To this we add that our pasteurizing equipment is of the most modern type and that this operation is scientifically controlled by competent chemists who have at their disposal a laboratory especially fitted up for this supervision, that we spare no effort or no expense to ensure to our customers milk products of the highest quality and presenting the highest degree of safety.

The practice so far as the buying of milk from producers is concerned is to always set in advance for a particular period, the prices which will be paid during that period. These prices are set in agreement with the Milk Producers' Association of Montreal, taking into account the variations which may arise in the cost of production. We observe the prices agreed upon for each period of the year, even if we have to suffer losses which at times are quite heavy.

In order to encourage the multiplication of good herds and the production of as rich a milk as possible, our milk purchases are made on the basis of the butter fat content of the milk delivered to us by each producer. In other words, our prices are based on milk containing 3·5 per cent butter fat. This means that all the shipments of milk we receive are tested. When the butter fat content is higher than 3·5 per cent basis, we pay a premium to our shippers of 3 cents per 100 pounds of milk for each fraction of $\frac{1}{10}$ of 1 per cent over the basis. If a producer ships milk of 3·8 per cent butter fat, we pay him a premium of 9 cents per 100 pounds over the price agreed upon. On the other hand, when the milk is of a lower butter fat content than the 3·5 per cent basis, we deduct from the price agreed upon, 3 cents per 100 pounds of milk for each fraction of $\frac{1}{10}$ of 1 per cent, which tends to discourage heedlessness, thus to better the dairy industry.

This practice has brought about very good results and has greatly contributed to the improvement of the quality of milk produced in our province. The average price we pay to farmers is higher than the price set. Here are some recent examples:—

From January 1 to April 15, 1932, when the price agreed upon was $1.70 per 100 pounds, the average price paid was $1·7479.

From April 16 to November 30, 1932, the agreed price was $1.35 per 100 pounds but we have paid an average price of $1·3905.

In December of the same year, the agreed price was $1.60 per 100 pounds, and we have paid an average price of $1·6841.

The above examples show the price paid as a result of the premium upon butter fat. However, when the effect of surplus milk upon price is considered, the average price actually received by the farmer is considerably less. Based upon the price paid as a result of the surplus, the farmer received:—

From January 1 to April 15, 1932, \$1·653.
From April 16 to November 30, 1932, \$1·226.
In December, 1932, \$1·682.

Of course, these are the average prices, and if it still happens that we receive milk of a lower percentage of butter fat than the average fixed proportion, we receive some that is notably superior, and in the whole, we note that there is a general improvement in the quality of the milk delivered to us.

When a farmer receives his cheque from our firm, it is always accompanied by a detailed statement of the milk or cream he has shipped to us.

Milk Surplus

Having to meet daily requirements, we can not set up in advance and in a sure way, the quantity of milk required to meet the demand. As, on the other hand many producers are established in a region where there are no butter or cheese factories and would lose the milk that they would over produce if we limited the quantity of their shipments, there is an understanding by which we buy at the cheese or butter factory prices, the surplus milk we have on hand after the distribution. In other words, whatever milk is left over it is computed and deducted proportionately from the shipments that are made to us.

About a year ago, the consumption having greatly reduced on account of the economic crisis, we decided to lay off a certain number of our shippers for an indefinite period. But, if certain shippers have found elsewhere a market for their milk, there are others who were in a very embarrassing position, and saw themselves almost ruined. Many of them came in to see us and told us that they were in a critical position. We consulted a certain number of our good shippers, and told them in what position some other shippers were in. The shippers who were consulted, desiring to protect their own, agreed that we should continue to receive the milk from the farmers who had been placed in such a critical position. These shippers thereby gave a fine example of their spirit of co-operation, for in protecting other shippers, whom they did not even know, they have no less agreed to suffer a loss from the fact that our milk surplus, not sold for immediate consumption, became greater and through this, a greater proportion of their shipments was paid to them at price agreed by the butter and cheese factories.

It is to help those farmers who absolutely depend on the sale of their milk for their living that we accept more milk than is required to meet the demand of our consumers, and the result of this is a rather heavy surplus, surplus for which we can only pay for at the price paid by butter makers, as we use this milk ourselves to make the same product. This practice has thus for effect to save from bankruptcy, and even ruin, a certain number of farmers.

The buttermilk which we sell is not the original buttermilk that comes from the churning of butter, but milk that is scientifically fermented and produced by the use of a lactic ferment. It then results that the sale of milk is increased of that much more for the producers.

In concluding, I wish to emphasize that we maintain a system of controlling conditions under which milk is produced and handled, in order to ensure to our customers, its nutritive value and sanitary quality.

> "Careful inspection of the source of supply, the production and the handling of the milk on the farm; constant supervision and sanitary control by expert chemists, of the quality of the milk we receive and distribute; efficient and expensive equipments to control the pasteurization scientifically; and a sanitary delivery service."
>
> We buy our milk on the butter fat basis, that is we take into account the quantity of butter fat contained in the milk we receive, and pay for it accordingly. This is an important factor in the buying of the milk, for it assures a better price to the good producers for its intrinsical quality, and tends to higher the grade of the milk delivered to the consumers and particularly the children to whom milk is the essential food.

Now gentlemen, I have said in this statement that our milk is pasteurized. All our milk is pateurized except certified milk. I have here, Mr. Chairman, two by-laws, one from the province of Quebec, and one from the Federal Department of Agriculture, concerning pasteurization. I am just going to read the last paragraph which concerns pasteurization. It is written in French and I will read it in French and then translate it into English. "Il est interdit de nourrir les animaux dans une zone réservée avec les sous-produits des fromageries, des stations d'écrémage et des beurreries, à monis que lesdits sous-produits n'aient été d'abord stérélisés par la chaleur." The English translation is as follows: It is forbidden to feed animals in a reserve zone with sub-products of cheese factories, skimming stations and butter factories unless those sub-products have been sterilized with heat."

So if it is good for the animals, if pasteurization is good for the animals it should be good for the people. I have here a similar by-law of the province of Quebec. Unfortunately I have not a copy of the by-law of the province of Ontario; but I am told in Ontario they have a by-law on this subject also. The by-law of the province of Quebec says: "Le propriétaire ou le gérant de toute fabrique de beurre ou de fromage, ou des deux, est obligé de pasteuriser le lait écrémé et le petit-lait de beurre et de fromage provenant du lait ou de la crème apportés et travaillés dans sa fabrique."

The English translation is as follows: "The owner or the proprietor or the manager of any or all factories, either cheese or butter or combined, is obliged to pasteurize skimmed milk or the buttermilk from the churn or buttermilk from the cheese, after being made to give it to animals. That is all I have, although I have other figures.

By the Chairman:

Q. That is your full statement?—A. That is all I have prepared, but I brought figures.

Q. You have figures concerning your operations, have you?—A. I have sir.

Q. Do you care to give them in advance or will you give them under cross-examination?—A. I can give them right away.

Q. Very good; is that your financial statement?—A. Yes. Gross sales in the past year, 1932, were $2,997,764.87.

Q. Would you repeat that?—A. $2,997,764.87. The total taken from sales, all discounts and allowances $43,076.69.

By Mr. Pickel:

Q. What is that?—A. $43,076.69, provision for bad debts, discounts and and allowances. Net sales $2,954,680.18. Milk and milk products $1,052,966.30; purchases of butter and so forth $388,622; total cost of products $1,441,588.32; production expenses, selling expenses which comprises salaries and wages, commission, expenses material, depreciation, insurance, taxes, other property ex-

penses, reserve for bad debts, publicity and administrative expenses, $905,720.77; the gross profit, $155,734.27.

The CHAIRMAN: The gross profit again, please?

The WITNESS: $155,734.27. Will I continue the same document?

The CHAIRMAN: Well, shall we finish the rest that he has to give us in figures, or is the committee getting much advantage from these figures? I think it would be wiser perhaps to have these matters brought out under cross questioning, so that you can consider each phase as you go along.

(Carried.)

By Mr. Tummon:

Q. What is your name again?—A. My name or the name of the company?

Q. Your name?—A. My name is Charest.

Q. Your company is an independent company, is it; that is, is it just a company by itself or is it a subsidiary of another company?—A. Well, it is a subsidiary company, but it is incorporated under the by-laws of the province of Quebec.

Q. But the company is owned by whom?—A. Well, it is a subsidiary of the Borden Company.

Q. Of the Borden Company?—A. Yes.

Q. But run and operated, however, as a distinct unit?—A. A distinct company, yes.

Q. Yes, a distinct unit. Have you there the total number of pounds of fluid milk?—A. We have sir.

Q. That was purchased in the year 1932?—A. Yes, we have; 37,897,396 pounds.

Q. 37,897,396 pounds?—A. Yes.

Q. Now, that includes all milk purchased at association prices?—A. No, all milk; all milk received, association and surplus milk, all milk.

Q. Association and surplus?—A. Yes.

Q. Did you purchase any cream in addition to that?—A. We do, we did.

Q. But the cream is not included in those pounds of milk?—A. No—well, there was some cream, some cream taken from the surplus, but a small quantity. We buy cream from individual shippers, and we also have a factory of our own.

Q. What I was trying to get at was, that was the amount purchased as fluid milk, but did not include anything purchased as cream, and I understand that is milk purchased at the association price and the surplus milk?—A. No, all milk bought is all computed altogether. All the milk received.

Q. Can you give us the average cost per hundred pounds of that fluid milk for the year 1932?—A. The average cost for all milk?

Q. For that amount of milk, both association and surplus?—A. All milk, $1.39·3.

Q. $1.39·3?—A. Yes.

Q. That price of $1.39·3 was the price that it cost your company delivered at your door or at your plant, was it?—A. That is the amount—that is the price that we pay to the producer.

Q. Yes, the price you pay to the producers?—A. To the producers.

Q. The average price that you paid to the producers?—A. Yes.

Q. For the milk delivered at your plant?—A. Yes.

Q. And then the farmer or the producer paid the freight or the transportation costs on that?—A. He did, sir.

Q. Which would average about probably 25 cents a hundred pounds?—A. Sometimes, I would not say the average price, because some live closer—

milk that is shipped within a radius of forty miles costs the farmer 15 cents per can, which is 20 cents a hundred; and over forty miles it costs him 25 cents a hundred, or 20 cents a can.

Q. Now, what percentage of that total amount of milk, 37,897,396 pounds, was paid for at association prices?—A. 82·7.

Q. 82·7; the balance was paid for at the surplus price?—A. Yes, 17·3.

Q. 17·3; can you give the committee the average cost per quart of the milk; you say $1.39·3 per hundred pounds; have you the figures there bringing it down to quarts, the average?—A. Yes, ·0387.

Q. Point what?—A. ·0387.

Q. That is approximately 3·87 cents per quart, a little better than $3\frac{3}{4}$ cents per quart?

The CHAIRMAN: $3\frac{7}{9}$.

By Mr. Tummon:

Q. I presume that milk that was purchased at association prices was largely disposed of by the quart as fluid milk?—A. Not all; it was disposed of in quarts and disposed of in cans, to different institutions or restaurants, hotels, or hospitals. I think I can tell you what you want to know, what is in your mind. There was 68 per cent of the milk sold retail to the houses.

Q. 68 per cent sold retail to the houses; yet what was delivered to the hospitals or restaurants or such like was all delivered by measure, nevertheless, was it not?—A. Will you repeat that, please?

Q. Well, really what I asked—I said by quart—but I really meant by measure, it was delivered really by quart or by gallon or such like?—A. Well—

Q. You don't sell your milk by the hundred pounds to customers?—A. No; to private homes it is pints or quarts.

Q. Pints or quarts, and to the hotels it is by the gallon?—A. To the stores it is sold in half pints or pints or by the measure, bulk, that is all.

Q. It is all measured?—A. Yes.

Q. Can you give the committee the average selling price per quart for the year 1932? You told us the average cost price was ·0387. Now, the average selling price per quart?—A. It was ·0968.

Q. ·0968?—A. ·0968.

Q. That would be 9·68 cents per quart?—A. Yes.

Q. Now, that means a spread of approximately in the neighbourhood of 6 cents per quart, does it not?—A. ·0581, to be exact.

Q. ·0581?—A. ·0581.

Q. That is a little better than $5\frac{3}{4}$ cents per quart. Have you the figures there by which you account for that spread, Mr. Charest?—A. You want these in detail?

Q. Yes, we would like to have it in fairly good detail. Supposing we start of the beginning again. We have the price per hundred pounds. We have the price that it cost you per quart, and that would be of course, less transportation to the producer. Now, I presume that milk is shipped directly from the producer to the Montreal plant, Mr. Charest?—A. Yes, it is.

Q. You have no depots or receiving stations?—A. Receiving stations? If you mean—no, it just comes in to our dairy; but we get the milk at the Windsor station or the Viger station, the different stations.

Q. What I mean is this, do you maintain receiving depots out through the country?—A. No, we don't.

Q. You don't; did you purchase any milk or cream or such like from the receiving stations of your sister plant, the Borden Farm Products?—A. Very seldom.

Q. Very seldom?—A. Yes.

Q. Did you in the year 1932?—A. We have; I could not recollect from memory, but we do sometimes when the milk—in a short season. By short season I expect that you know what I mean.

Q. Yes, when there is a shortness?—A. A shortage of milk, when we receive less milk from our individual shippers.

Q. When you purchase that from the firm of Borden Farm Products Company, how do you pay for it? Do you pay them a profit on what they get, or give them something extra, or less price, or what? Or do you just simply take it off the hands of the other company at the price they purchased it at?—A. Practically, it is so much gallon, very, very close. We give them 10 cents a hundred pounds more.

Q. 10 cents per hundred pounds more?—A. Yes.

Q. What is the first item of cost which enters into the spread?—A. That is the number of quarts sold, that would be 11,158,372 quarts.

Q. Quarts that were sold?—A. Yes.

Q. That were distributed off your wagons?—A. It was all sold different ways.

Q. Sometimes sold off the wagons and sometimes sold to restaurants and hotels?—A. Yes.

Q. All right; what we are trying to get at is how you make up or how you account for that spread of 5·81?—A. Well, it is the total value or difference.

Q. Just a minute——A. The value per quart as I gave before is ·387, and we have it at ·0968, so that the difference is the spread.

Q. 5·81?—A. Yes.

Q. Now, there are certain costs that enter in to make that spread, transportation, factory costs and such like; have you other items there, bottling and such like?—A. We can't give it to you in quarts. I have not got it. We have just given you the total of expenses.

Q. The total expenses?—A. Yes.

Q. Then you have not any statement there at all, that would give the Committee an idea how costs are made up? At least, how that spread is made up? —A. The sales is ·0968, and the cost of the product is ·0387. The production, selling and delivery expenses is ·0555, and the net profit is ·0023.

Q. The profit is which?—A. I beg your pardon, sir? ·0023, and the income tax ·0003.

Q. Now, if you have not the itemized costs, we cannot have them this morning. That is per quart, I presume, that profit?—A. That is per quart.

Q. 0·23 per quart?—A. Yes.

Q. Or rather, ·0023 per quart. That refers only to the amount produced and paid for at the association prices?—A. That is all the milk sold.

Q. All the milk sold?—A. Yes.

Q. But that milk that was sold by the quart or by the gallon or by the measure, all came from that, that was paid for at the association price, was it? —A. All at the agreed price with the producer.

Q. With the producer?—A. Yes.

Q. Or the market price or the association price whichever you wish.—A. Well, the association price, yes.

Q. Did any of the surplus milk or any of the milk paid for at surplus prices go into that?—A. There was not. I am impressing this, no milk of surplus which was not paid to the farmer at prices above the surplus price.

Q. Will you repeat that, please?—A. That is—

Q. We recognize your difficulty. Now, just take the thing easy and we will get along.—A. Tout le lait qui a été vendu a été payé au prix de la vente, c'est-à-dire que la différence entre le lait vendu et le lait acheté est du surplus et ce surplus la a été payé au prix du beurre et tout l'autre lait a été payé tel qu'il avait été entendu avec les cultivateurs.

Mr. Gobeil: I don't really know what you are trying to get at.

By Mr. Tummon:

Q. I want to find out if any of the milk that was sold at the regular price per quart and delivered per quart or per gallon as the case may be, was all milk that was bought at the association price or was it bought—some of it bought at the surplus price?—A. I might express myself better, I don't know who you are—

Q. No.—A. You might be one of our customers, if you live in Montreal.

Q. No.—A. Supposing that you would be—yes, you would be, and we would serve you, I would say that there was not any milk, any surplus milk that we would have sold you.

Q. I see.—A. Under ten cents or nine cents or eight cents per quart.

Q. That is what we wanted to get at. Your surplus milk was used in some other way?—A. Yes, as I said.

Q. That is what I wanted to get at. Now we understand each other. You said that your surplus was 17 point something, was it not—17·3?—A. 17·03.

Q. Will you tell the committee how you disposed of that surplus milk?—A. We made butter with it.

Q. You made butter with it?—A. Yes.

By Mr. Gobeil:

Q. All of it?—A. I would not say all; I have no figure; I would say there is very little that went into the—that we made sweet cream out of.

By Mr. Tummon:

Q. Can you tell the committee the average price per hundred pounds that you paid the producer for that surplus milk?—A. I have not got it.

Q. Well, you paid different prices throughout the year 1932, I presume?—A. Yes; all this surplus milk, I might answer you in some way, being paid at the price of butter; we follow the market price of butter, and we gave the farmer whatever the market price was for all surplus.

Q. Whatever the butter price was?—A. Yes.

Q. That is if milk was 3·5, you paid him the butter price, butter fat prices which would go into butter, being 3·5 pounds in one hundred pounds of milk.—A. Should we give you an example? Say 3·5 pounds of butter fat would be twenty-five cents, 25 cents per pound butter fat; what would you say?

Q. Well, what I meant to say when butter fat was paid 25 cents a pound, for cream that was being used for butter would you pay 25 cents?—A. It would be 88 cents per hundred pounds of milk.

Q. You would pay that?—A. 88 cents for one hundred pounds of milk.

Q. But you cannot give us the average price per one hundred pounds that you paid for your surplus milk?—A. No.

Q. Can you furnish the committee with that information, later on?—A. We could hardly do that. I don't say we could not; perhaps we could, but it would mean a lot of work and I don't know if we would give you an exact result.

Q. Well, it seems to me it would be rather necessary that we have that, if we could get it.—A. Well, if we can.

Q. I don't want to insist on it.—A. No; I will say this, if it can be given, I will give it. We have nothing to hide.

Q. I don't see why you cannot give it. You know what you paid for it; you know the number of pounds you bought.—A. Yes.

Q. Now, the average of the hundred pounds divided into what you paid for it will give you the average per hundred pounds.—A. We pay the farmer

twice a month, and it may be twice a month the price was different, and we would have to go through a whole year; that would be twenty-four accounts that we would have to compute.

Q. Well, I know; but you gave us the price per hundred pounds, the average price per hundred pounds that you paid for 86 per cent; surely you ought to be able to furnish the committee with the average price per hundred pounds for 17 point something per cent:—A. If we can get it, I will give it to you.

Q. All right; we will say that.—A. I will say I will give it to the committee.

Q. Now then, was all this surplus milk used for butter manufacture, Mr. Charest?—A. I said a few minutes ago that there was some for cream.

Q. Sweet cream?—A. Cream, but very little.

Q. Very little for sweet cream; do you purchase sweet cream from the farmers?—A. We do, yes.

Q. Have you the quantity, the number of points of sweet cream and the pounds of butter fat that you purchased in 1932?—A. We can give you the quantity of sweet cream that we have bought to be sold as sweet cream.

Q. You haven't that with you?—A. Yes, we have it. We can give you the number of pounds of butterfat.

Q. And the 100 pounds?—A. No, no, I say we have the number of pounds of sweet cream bought to be sold as sweet cream.

Q. All right.—A. There is 452,806 pounds of butterfat.

Q. Of sweet cream, purchased as sweet cream?—A. Yes, sir.

Q. That practically covers the sweet cream that was delivered; that is, a little perhaps from the surplus amount added to that, constituted your sweet cream business?—A. These are the number of pounds of butterfat as sweet cream, sold as sweet cream.

Q. That was pounds of butterfat?—A. Yes.

Q. You have not the number of pounds now, the weight?—A. No.

Q. Will you furnish the committee with that?—A. Do you mean the number of pounds of sweet cream bought to be sold as sweet cream?

Q. When you purchased that sweet cream—say I was shipping you a can of that cream, you would weigh that can when it came in?—A. Yes.

Q. And you would test it for the butterfat content?—A. Yes.

Q. And would buy it according to weight and butterfat content?—A. Yes, sir.

Q. I want the amount of both. I am trying to get at the pounds of cream and the amount of butterfat?—A. We haven't got it, sir.

Q. Will you furnish it to the committee?—A. We can get it, and we will give it to you.

Q. Thank you sir. Now then, can you give the committee the average price per pound of butterfat that that sweet cream cost you in 1932?—A. The average price we paid was 24·52 cents.

Q. That was per pound of butterfat for the year 1932?

The Chairman: That is sweet cream.

The Witness: Yes, sir.

By Mr. Tummon:

Q. That is sweet cream. Now then, in selling that sweet cream, how many grades of sweet cream do you sell?—A. Ten per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 35 per cent, 40 per cent; and there is sweet and sour—anything you want.

Q. Well, we are talking about sweet cream?—A. Well then, if you want 32 per cent sweet cream and if you are a big enough consumer, we will make it for you.

Q. Well then, can you furnish the committee with the average selling price in 1932 of these different creams?—A. The average price was ·1287.

Q. That is, per quart?—A. No, per half-pint, sir.

By the Chairman:

Q. Of all grades?—A. All grades, yes, sir.

Q. Can't you give it for each?—A. I can't give it.

By Mr. Tummon:

Q. Well, if the committee wants it for each, we can get it, I am quite satisfied as far as I am concerned with the average selling price on all.

The CHAIRMAN: Very well, go ahead.

Mr. TUMMON: That is all I am interested in.

By Mr. Pickel:

Q. What do you get for your 10, 15, 20 and 40 per cent cream, how do you sell it?—A. Well, that is the average here.

Q. That is by the pint?—A. I don't know a pint, I haven't got it—that is the half-pint.

Q. That is for the half-pint?—A. The average is 12·87.

Q. That is the average?—A. Yes, sir.

Q. What do you sell your 10 per cent at?—A. I haven't got those figures with me.

Q. Well, don't you know your business?—A. That is the 1932 price, sir.

By Mr. Tummon:

Q. Yes, that is right, I am dealing with 1932. I want to get that on the record. That is the reason I was dealing with that?—A. Yes, sir.

Q. You said, your average selling price for 1932, for all grades per half-pint was— ?—A. 12·87.

Q. That would mean, that per quart it would run aout 49·4 cents, around that? Now then, outside of the milk delivered as sweet milk and sweet cream that you purchased there was butter. I presume butter was sold off your wagons wasn't it?—A. Yes, sir.

Q. Is there anything else that you manufacture, or utilize, milk or cream for, and dispose of, in your plant?—A. We sell eggs, and we sell cheese also.

Q. Ice cream?—A. Well, on different waggons.

Q. On different waggons?—A. Yes, sir.

Q. The cost of your eggs is in your financial statement, I presume?—A. I haven't got it here.

Q. Is it separated from the milk, or the cream, in your financial statement?—A. It is separated, yes.

Q. It is shown as separate purchases?—A. Yes, sir.

Q. Shown as a separate receipt?—A. Yes, sir.

Q. And the profit is shown separately?—A. If there was.

Q. Well, if there was, yes; we will admit that?—A. Yes.

Q. It is shown separately?—A. Unfortunately, it is not.

Q. Then, any profit that there would be, would be all confined to milk?—A. Yes, sir.

Q. Now, you filed that financial statement there with the chairman, did you?

The CHAIRMAN: It should be printed in the minutes.

By Mr. Tummon:

Q. That is right. Will you file that with the secretary and it will be printed with the minutes?—A. Yes, Mr. Chairman, we will.

Q. That was for the year 1932?—A. Yes, sir.
Q. The calendar year is your business year?—A. Yes, sir.
Q. You have nothing to do with the paying of dividends or such like?—A. No, sir.
Q. That is all handled by the parent company?—A. If there are any dividends, yes.
Q. But, that is a matter——.—A. The J. J. Joubert Company has not paid any dividends.
Q. No, but if they did they would not anyway, would they?—A. I beg your pardon?
Q. Supposing there were profits out of which to pay dividends, they would not pay the dividends, would they?—A. I don't think so.
Q. The question of dividends is a matter for the parent company, isn't it, and not for J. J. Joubert?—A. That is right.
Q. Then, if there is any profit, profit sufficient to warrant a dividend, the J. J. Joubert Company forwards that to the main company?—A. We supply our statements, and that is all we do.
Q. And you have nothing to do with that?—A. No, sir.
Q. Do the Borden company, the main parent company, keep a head office in the Dominion of Canada?—A. Yes, I know that they have an office, they have a meeting place—I don't know if they have an office.
Q. All your reports as a subsidiary which you make to the parent company; where do they go?—A. They go to Ottawa, here.
Q. Go to Ottawa?—A. Yes, sir, we send our reports to Ottawa.
Q. You send your reports all to Ottawa?—A. Yes.

By the Chairman:

Q. To whom?—A. To a gentleman called—
Q. What company do you send it to?—A. To the Ottawa Dairy Company.

By Mr. Tummon:

Q. To the Ottawa Dairy Company?—A. They are sent to a Mr. Thorne.
Q. To a Mr. Thorne, in care of the Ottawa Dairy Company?—A. Yes, sir.
Q. Is the Ottawa Dairy Company in Ottawa, a subsidiary of Bordens, do you know?—A. I would not be able to answer that. I would believe they are a company like ourselves. I would not say for sure, I do not know exactly how they stand.
Q. You make no reports direct to the parent company in New York?—A. The figures are sent to Ottawa.
Q. And any communication, or instructions, to your company as a subsidiary company come from Ottawa?—A. Yes. You mean all?
Q. Yes?—A. No, not all; some come from New York also.
Q. Some come from New York?—A. Yes, sir.
Q. The statement that you have furnished is an audited statement, is it Mr. Charest?—A. Yes, it is.
Q. For the year 1932?—A. Yes, sir.

By Mr. Brown:

Q. You have said that you are a subsidiary of the Borden company?—A. Yes, sir.
Q. How many subsidiaries of the Borden company are operating in Montreal?—A. Well, there are two, from what I know.
Q. You know of two anyway. We had one here before us a few days ago, and they told us that they were in close connection with the receiving depots at Maxville and Ormstown?—A. Yes, sir.

Q. Do I understand, from your statement to Mr. Tummon, that you have no such direct connection?—A. Would you mind repeating your question please, sir?

Q. Well, the company that testified here a few days ago, said that they had a direct connection with the receiving depots at Ormstown and Maxville. Do you have direct connection with these depots?—A. No, we have not, sir.

Q. I think you said though that when you require more milk you buy it from the Borden company at an increased price of 10 cents a hundred?—A. Well, we buy milk, not only from Bordens, but from anybody who has extra milk and wants to sell it.

Q. Do your delivery routes cover the same districts as those of the other company?—A. They cover the city.

Q. Do your delivery routes cover the same streets as those of this other subsidiary Borden company?—A. They do, yes.

Q. That is, you have two delivery waggons of subsidiaries of the Borden company travelling the same milk routes?—A. All milk companies do.

Q. Of course. That is a matter of interest to us that we will have to look into, why two subsidiaries of the same company should be serving the same milk routes. I think, perhaps, that is all I want to ask. In the meantime, you have promised to furnish a fuller financial statement in regard to the various items that enter into the spread?—A. Whatever was asked.

Q. I think that is all I want to bring out in the mean time.

By Mr. Porteous:

Q. You said, in your statement, that you at one time decided to lay off a lot of your patrons?—A. Yes, sir.

Q. That was, because of the fact that you were getting too much milk?—A. Yes.

Q. I took from that that you preferred to be without the business, with regard to surplus milk?—A. Certainly, because we did not require that milk; it was not wanted.

Q. Well, from your statement then would you say this, that if you could get your requirements that you would rather not have any surplus milk whatsoever?—A. In the milk business you can not buy exactly your requirements.

Q. No, but if it were possible for you to get your requirements?—A. Sometimes you are short, sometimes you have too much. You can't run a milk business and have exactly what you want.

Q. Do you pretend to make a profit out of this surplus milk?—A. No sir, we do not, and it is well understood; those were the orders that were given—that all surplus milk was treated to be made into butter.

Q. Now then, have you the price per quart, or per hundred pounds perhaps would be easier, that you paid for milk for consumption purposes by itself—not the average price of all your milk, but the price that you paid, that is the Association price, per hundred pounds?—A. $1·5030.

Q. How many quarts of milk do you bottle out of a hundred pounds, have you that?—A. I haven't got that.

Q. One of the witnesses that were here said they got 38·6 quarts; would that be about what it would amount to per hundred pounds?—A. I haven't it here.

Q. Now then, do you do a wholesale business also?—A. Both sir, wholesale and retail.

Q. Then, about the price at which you sell milk per quart in bottles for wholesale purposes; do you sell to any of these dealers?—A. We do, yes sir. We sell to wholesale. Last year we sold wholesale less than the retail. Say the retail was ·1038, then the wholesale was 2 cents less.

Q. Two cents less than the retail?—A. Yes.
Q. That is to licensed dealers in Montreal?—A. Oh, we don't sell those.
Q. You don't sell to those at all?—A. No, sir.
Q. What is that wholesale trade for, restaurants and so on?—A. That 2 cents less is to grocery stores.
Q. Chain stores, and so forth?—A. Yes.
Q. Well that would be—you would not have the average price of your wholesale milk for the last year, would you?—A. We sell 2 cents a quart less.
Q. It would be just 2 cents a quart less. Then the average price for retail was, say, 10 cents?—A. It would be 8·38.
Q. Now then, it would appear that the spread is greater from the time that that milk is in the bottle ready for wholesale and the time when it reaches the door step of the consumer by 2 cents a quart?—A. No, the spread on all milk is ·0581; for all milk.
Q. Yes, and on wholesale milk it is 2 cents less?—A. Yes.
Q. Therefore that 2 cents per quart spread is in delivery charges; is that right?—A. Is not spread.
Q. There are no other charges, is that right?—A. Two cents less, straight.
Q. Two cents less spread on wholesale milk?—A. Two cents less per quart.
Q. Yes. Well then, that would make it that you make as much profit on your wholesale milk as you do on your retail milk?—A. Oh my, no sir.
Q. You make more profit on your retail milk?—A. Yes, sir.
Q. That is all I want. Now then, the total profit you gave us was ·0023, is that per quart?—A. No, that is profit.
Q. Profit. Is that per quart?—A. Yes, per quart.
Q. That would be a little less than a quarter of a cent per quart?—A. Yes, sir.

By Mr. Mullins:

Q. May I ask you, Mr. Charest, what your capitalization is?—A. It would be $765,100.
Q. Who is the president of the company?—A. Mr. J. J. Joubert is the president, I am vice-president and Mr. Martin is secretary.
Q. Is Mr. Joubert the founder of the corporation?—A. He is the head, the president.
Q. Since the company was founded has the capital been raised?—A. I have it here, the first company was incorporated by letters patent of the Province of Quebec on the 4th of December, 1914. The charter of the company was amended on the 18th of January, 1921, and again December 30, 1925, and December 3, 1930. These amendments consisted in changing the powers of the company, excepting that the amendment in 1921 increased the capital from $299,000 to $500,000.
Q. Did you issue more stock each time?—A. No, sir.
Q. Each time you changed the personnel or organization?—A. No, it was capital that was wanted for the business.
Q. How many shares of stock have you out?—A. 7,651 shares.
Q. And how many do the Borden people hold?—A. I haven't got that here.
Q. Do they hold 51 per cent of the stock, do you know?—A. They do, yes sir.
Q. More than that?—A. More than that, yes sir.
Q. More than 51 per cent of the stock?—A. Yes.
Q. Then, their head office would be in New York?—A. Yes.
Q. What do you do with the profits that you get from this organization; you have some profits don't you?—A. We keep them here because it is in the surplus.
Q. What?—A. It is put in the surplus account.

Q. But don't you transfer the profits?—A. No, it is left in the company.

Q. You didn't transfer any?—A. Not that I know of, there has not been any transfer.

Q. You just put it back into the company?—A. It is in the surplus.

Q. What is the surplus, did you say?—A. I could give it to you here, $755,163.44.

Q. That is your surplus. Let me ask you a question, do you pasteurize milk?—A. We pasteurize all our milk, except what I said, the certified milk.

Q. Which do you consider the better for the consuming public, the pasteurized milk or the certified milk?—A. We would not sell, except certified milk, we would not sell any milk that is not pasteurized.

Q. The certified milk comes from a healthy cow, that is, it is tested?—A. Supposed to be healthy, sir.

Q. It comes from a healthy cow?—A. I would not say healthy, I would say supposed to be healthy.

Q. Well, it comes from a dairy that has been tested and inspected?—A. And the cows are supposed to be healthy, but I would not say that they are all healthy cows, sir.

Q. Well, it is certified milk?—A. It is certified milk, sir.

Q. Well, as an expert in that line of business, you have been in it for some time—which milk do you prefer, the pasteurized or the certified?—A. I would not drink for myself—

Q. No, outside of business?—A. I am speaking for myself, I would drink pasteurized milk. If you don't mind, I don't know if you were here when I began, but I have copies of two by-laws here, one from the province of Quebec and one from the Federal Department of Agriculture. They say that milk to be given to animals, pigs and calves, has to be pasteurized; so, if it is good for the pigs and the calves, it must be good for people to use pasteurized milk.

Q. One of the leading physicians in Montreal says that pasteurized milk develops bacteria faster than ordinary milk. I have a letter here from one of the leading medical authorities in Montreal and I might as well read what he says. He says in part: "The truth of the matter is that pasteurization properly conducted does not affect either the taste or the vitamines to any appreciable extent. Furthermore bacteria develops with greater ease in pasteurized milk." That is from one of the leading medical men in Montreal?—A. Well, that may be one—

Q. And he says that bacteria develops with greater ease in pasteurized milk than it does in ordinary milk?—A. Well, that may be the idea of one man, but I would say that these by-laws were passed, sir, they have been discussed by more than one man; and they came to this conclusion, because they made a law out of it.

Mr. Moore: Is that man of yours agriculturally trained?

Mr. Mullins: No, he is one of the outstanding medical men in Montreal. I am speaking from practical experience, doctor, I know men that have used one cow's milk that have lived to a ripe old age.

Mr. Moore: I know them too, they have used one cow's milk and lived to a ripe old age.

By Mr. Mullins:

Q. Do you make buttermilk?—A. We do, sir; well, we make and sell fermented milk.

Q. Fomented milk?—A. Fermented.

Q. Well, it is not buttermilk?—A. Cultured buttermilk.

Q. Do you use a cube for that purpose, a medical preparation?—A. It is, I would not say medical—we have a chemist.

By Mr. Moore:

Q. He probably means lactic acid?—A. Lactic acid, yes.

By Mr. Mullins:

Q. What do you get a quart for that?—A. Ten cents a quart.

Q. It is manufactured from the surplus milk?—A. No.

Q. Or from skim milk?—A. No, it is from milk that would contain about 2 per cent butterfat.

By Mr. Donnelly:

Q. Mr. Chairman, I would like to ask the witness if they sell milk to independent distributors?—A. We do not.

Q. You sell them no milk?—A. We absolutely refuse.

Q. In some of the chain stores, you supply them at 2 cents a quart less?—A. Yes, sir.

Q. You don't make as much profit on that, you say, as you do on the milk distributed direct to your customers?—A. No, sir, we do not.

Q. Therefore, it costs you less than 2 cents to distribute to private individuals?—A. I would not say it cost us less than 2 cents.

Q. It must cost you less if you sell it to individuals and make more profit on it by distributing it, it must cost you less when you distribute it to each concern?—A. We sell it at 2 cents less.

Q. You sell it to chain stores at 2 cents less?—A. Yes.

Q. Than you sell to a private individual?—A. Yes.

Q. And you don't make less profit on that than you do on what you sell to private individuals?—A. I would not be able to answer that.

Q. Well, you said so. You said you didn't make as much profit selling the chain stores at 2 cents less?—A. On the wholesale milk we do not.

Q. Well then, it must cost you less than 2 cents to distribute to private individuals?—A. I would not say so.

Q. Well, if it costs you less than 2 cents to deliver to chain stores at 2 cents less you must be making more money on this milk sold at 2 cents less than you do on the other milk sold to individuals, according to your own argument?—A. If we sell it to them at 2 cents less per quart it is—we could not make a profit.

Q. Are there companies in Montreal selling to independent distributors?—A. There are, sir.

Q. What do they sell at, a quart?—A. I do not know, sir.

Q. Are there any companies in Montreal pasteurizing milk for farmers and allowing them to distribute?—A. What is that, sir?

Q. Are there any companies pasteurizing milk for farmers and allowing them to distribute it?—A. Not that I know of.

Q. I mean farmers who bring in their own milk, get a licence, take it to a pasteurizing plant and distribute it themselves?—A. I do not know about that, sir.

Q. What does it cost to pasteurize milk?—A. I haven't got that separate.

Q. But you have got it?—A. Pasteurizing goes into some other costs, you know.

By Mr. Pickel:

Q. You have your own inspectors?—A. We have inspectors in the country to inspect the farms, yes.

Q. Why is that necessary?—A. In order to take more care to have a better supply of milk.

Q. If your inspector goes out and the inspectors of the city of Montreal refuse him, what are you going to do?—A. We are governed by the by-laws of the city of Montreal.

Q. The city of Montreal have their own inspectors?—A. Yes.

Q. Why is it necessary for you to have them?—A. In order to make sure again; because I would say that in the city of Montreal they do the best they can, and with the number of inspectors that they have we think it is safer for us to inspect our own.

Q. Well, that is making insurance doubly sure, but it is not absolutely necessary?—A. Well, it is better.

Q. It adds to the expense. The supreme inspector is the city of Montreal?—A. No. We are glad to make the necessary expense because it ensures a better quality of milk to our customers.

Q. It simply makes more expense for nothing?—A. I would not say,—

Q. Does not the inspector at Montreal have the supreme authority?—A. They have the supreme authority, but if I can do better in the city of Montreal it is our business to do better.

Q. Now, Mr. Charest, you say you pay for distributing milk a certain price to the producer?—A. Yes, sir.

Q. Do you always agree upon the price?—A. With the distributors? Yes.

Q. With the producers?—A. Yes.

Q. Now, here is a letter which was sent out "To all our milk shippers: Dear sir, please be advised that starting February 1, 1933, until further notice the price will be $1.35 for 100 pounds for 3·5 milk."—A. Yes.

Q. Was that by agreement or just because you said so?—A. No. That is the price agreed upon with the association, $1.35.

Q. Did you have a meeting with the association?—A. We did, sir.

Q. You had a meeting with the association?—A. Yes.

Q. With the association?—A. Yes.

Q. They say not?—A. Well, I know we had.

Q. Here are some milk returns for 1933. I see in the month of April, 1932, there were about 3,900 pounds of milk at $1.38; there were 1,200 pounds at 85 cents; 1,300 pounds at 70 cents?—A. Yes.

Q. What is the difference in that milk? It says separated milk 85 cents; milk used for manufacturing 70 cents. What is the difference?—A. On what date was that?

Q. April, 1932.—A. What is the top price—the price paid?

Q. $1.38.—A. What is the butterfat of that milk?

Q. 3·6.—A. Well, 3·5, $1.35 plus 3 cents; that is $1.38.

Q. Then there was 1,200 pounds at 85 cents per hundred. There were 3,900 pounds at $1.38 and there were 1,200 pounds at 85 cents and 1,300 pounds at 70 cents.—A. Three prices.

Q. What is the milk used for manufacturing for 70 cents? What is that for?

The SECRATARY: That is separated milk for 70 cents. Can we see that statement?

Mr. PICKEL: No. The men asked me to be sure not to let their names be known.

The WITNESS: Will you just show us the statement?

Mr. PICKEL: No, I will not do it. I am reading it to you. Anybody else can read it—a disinterested party may read it. There are three kinds of milk selling at $1.38, 85 and 70 cents?—A. Seventy cents is the surplus.

Q. What is the 85?—A. Manufacturing.

Q. The next statement is for March. There are only two classes of milk. Then for July the prices are $1.23, 75 cents and $1?—A. Yes.

Q. The 75 cents is for separated milk?—A. Surplus milk.
Q. Milk used for manufacturing, $1?—A. Yes.
Q. What is that for?—A. That is milk used for manufacturing—ice cream.
Q. Why did you only pay 70 cents?—A. The sweet cream—
Q. And $1 this time?—A. Because 70 cents is the price of butterfat.
Q. It goes down through the year?—A. I will say, sir, that when we paid these prices there was a letter sent to all patrons.
Q. Here is another shipper—$1.33, $1, 80 cents?—A. Yes, I agree to that; because there was a letter sent to all patrons.
Q. Now, Mr. Charest, in your surplus milk did you separate any of that for cream—for sweet cream?—A. A little of it.
Q. How much butter do you make in your plant?—A. I have not got the exact figures.
Q. File them with the chairman.

By the Chairman:

Q. Could you not tell us approximately?—A. About 2,000,000 pounds.

By Mr. Pickel:

Q. Just make a note of that, please?—A. Yes, sir. I supposed you know, as we buy cream from farmers especially to make butter.
Q. Yes? You buy it expressly to make butter?—A. Absolutely.
Q. To make butter?—A. Yes, sir.

By the Chairman:

Q. That is sour cream?—A. That is sour cream.

By Mr. Pickel:

Q. Give me the price of your 10 per cent, 15 per cent, 20 per cent, 30 per cent and 40 per cent cream by quarts or by half-pints—any way you like. What do you ask for a half-pint of 10 per cent cream?—A. I have not got those figures in my memory.
Q. That is your business. You should know that from doing business?—A. I have the prices for 1933.
Q. I am talking of an approximately price?—A. At the present time we sell 10 per cent cream 8 cents for a half-pint; 15 per cent cream for 12 cents; 20 per cent—I would say 20 per cent—

By Mr. Gobeil:

Q. It cannot be 20 cents for 15 per cent flat?—A. I would say 8 cents, 12 cents and 15.

By Mr. Pickel:

Q. For 30 per cent?—A. Thirty-five per cent, 25 cents a half-pint.
Q. For the 30 per cent?—A. Thirty-five per cent, sir.
Q. Now, what for the 40 per cent?—A. We did not have any last year.
Q. Do you homogenize your cream?—A. No, sir.
Q. It is not homogenized?—A. No, sir; some of it.
Q. Mr. Charest, is it not well known that there is a good deal more money in your cream trade than there is in your milk trade?

The CHAIRMAN: You mean more profit?

The WITNESS: Yes, there is.

By Mr. Pickel:

Q. Can you tell me the amount of your surplus milk that you separate and use as sweet cream?—A. I have not got it.

Q. It is a considerable quantity?—A. A very small quantity, sir. I would say, not to mislead anybody, that surplus milk was known by our shippers that it was to be paid at the price of butter. There was a letter sent to that effect.

Q. You are not losing anything on separated milk when you separate it and get sweet cream, and there is more in the sweet cream trade than there is in the whole milk trade?—A. I am telling you that all approximately.

Q. What is the price of your ice cream?—A. I have not got the cost, but I can give you the profit that they made.

Q. The total profit?—A. Yes.

Q. How much?—A. In 1932 we made $26,680.02, and we have paid as sales tax $22,848.20.

Q. How much?—A. $22,848.20.

Q. On what?—A. Sales tax.

Q. Is that for your entire business?—A. No, sir; on ice cream. So the net profit on ice cream for the year 1932 was $3,851.82.

Q. Now, you gave us the date of your financial structure as 1914 when the charter was taken up. That was by J. J. Joubert & Company?—A. J. J. Joubert, Limited.

Q. And what is the next date?—A. 1914 to 1921.

Q. 1914 the capitalization was what?—A. $299,000.

Q. 1921? Was there any change made in capitalization?—A. It was increased from $299,000 to $500,000.

Q. And the next date?—A. The next date was in 1930.

Q. Nineteen what?—A. 1930.

Q. There was a date in between, 1925; what was that?—A. Yes, 1925.

Q. What was that?—A. 1925, from $500,000 to $1,500,000.

Q. Now, the next date?—A. That is all.

Q. Just 1930?—A. That is all I have here.

Q. That would be 1914, 1921, 1925 and 1930?—A. Yes.

Q. What was the capitalization in 1930?—A. We went up to $1,500,000.

Q. Was there any change made in 1925?—A. No. There was none.

Q. It was still $500,000?—A. Yes, sir.

Q. When did the Borden company take charge of the J. J. Joubert company?—A. We were affiliated with them in 1930.

Q. You were affiliated with them in 1930?—A. Yes.

Q. What do you mean by affiliated?—A. An exchange of shares. They gave us some of their shares and we gave them our shares.

Q. What did they amount to?—A. I think I will leave this with the president. I do not think—I should leave this with the president.

The CHAIRMAN: With the president?

The WITNESS: I leave this with the chairman.

The CHAIRMAN: No. From this time on I am going to insist on these matters being given.

The WITNESS: I have not it exactly.

By Mr. Pickel:

Q. Give it approximately?—A. It was in shares.

Q. How much was it in thousands or millions?—A. Forty-three thousand shares.

Q. At that time what was the value?—A. It was valued about $3,000,000.

Q. About $3,000,000?—A. About $3,000,000.

Q. That was in 1930?—A. Yes.

Q. Who was the president of J. J. Joubert company?—A. Mr. J. J. Joubert.

Q. What is his salary?—A. Well, I would be quite pleased to leave this with the Chairman.

The CHAIRMAN: Well, Mr. Charest, we have decided in committee that these things shall be given in full to the committee. It is the only thing we can do.

Mr. PICKEL: We have been very lenient. The others have promised to send us a return. If they had done so I would not ask these questions.

The WITNESS: But, I am going to give it right away.

The CHAIRMAN: I think it is the best thing to do.

The WITNESS: I am going to give it to the chairman right away.

The CHAIRMAN: Oh, no; I am not going to accept these things and have to keep them in confidence and be responsible for them. These matters must be given in full to the committee. I am going to call—the committee intends to recall the other witnesses and get this information from them as well, so you will not be put in any different position to the others.

Mr. PICKEL: We do not want to whitewash this evidence. We want to be fair to everybody. Most of the committee here believe that it is important that there should be some intelligent understanding and control of the milk trade of Montreal and the producer should co-operate with the big distributors in Montreal and get rid of the bootlegging man. We want to know the whole situation. We want to help you as well as to help the producer. Do you know what Mr. Joubert's salary is?—A. Yes, I do know.

By the Chairman:

Q. I think you should give it, Mr. Charest?—A. I do not mind giving my own—but somebody else's—mine is $13,500.

Q. That is your own salary?—A. Mine.

Q. I think you should give them all, Mr. Charest?—A. Mr. Joubert's in 1932 was $13,500 also.

By Mr. Pickel:

Q. What is it this year?—A. It is less this year.

Q. What was it the year before?—A. The year before, 1932?

Q. 1931?—A. It was $15,000.

Q. Who is your vice-president of the company?—A. At the present time it is myself.

Q. This $13,500 covers that. Who is the secretary?—A. He is not any more.

Q. What was his salary?—A. It was $8,000.

Q. Who is the treasurer?—A. I am.

Q. Who other officials connected with your company are drawing salaries of over $5,000?—A. I do not know the names. $2,765, that is the average for 1932.

Q. Are they bonded?—A. Yes. They were not last year, but they are now.

Q. What is your profit and loss?—A. $147,166.16.

Q. That is your loss?—A. No, that is not the loss, that is the profit.

Q. I am asking you what loss you sustained for bad debts?—A. Oh, debts, $3,027.27.

Q. You are running your business pretty carefully, $3,027.27. What about bottles?—A. Bottles in 1932, it was $13,000—around $13,000, a little over.

Q. How much income tax does the company pay?—A. It has not paid any for 1930.

Q. For 1932?—A. It is not figured yet.

Q. For 1931?—A. We were supposed to pay for 1931, $18,957.28.

Q. $18,000?—A. Yes, $18,000.

Q. Nearly $19,000?—A. Yes.

Q. Could you give the committee any idea of the cost of pasteurization itself?—A. I have not got it.

Q. It would be very small, would it not?—A. I have not got those figures.

Q. Approximately, would it be 5 cents a gallon?—A. I could not say. If I had the figures—

Q. You can say that. Would it be 5 cents a gallon?—A. I would not express myself unless I am sure.

By Mr. Gobeil:

Q. Just to throw a little more light on the price of milk, Mr. Charest, I understood you to say—until to-day I always understood there were only two prices for milk paid to the farm—the association price and the surplus price. Now, I have learned from Dr. Pickel that there were three different prices paid. I could not make out how they were made. Could you give us some explanation as to those three different prices?—A. Some months last year—from April we had the association price, and what went into manufacturing and surplus.

Q. What do you mean by the word "manufacturing"?—A. Milk bought for manufacture.

Q. What do you mean by that?—A. All to be put into ice cream or to be put into—to reduce the butterfat in cream.

Q. When the farmer shipped you his milk did he expect or did he know that so many pounds of his milk were to be paid for at the manufacturing price?—A. He did not know; but he received a letter that he would be paid at association price, and what would go into manufacturing would be at a certain price—we did not know exactly what it was—and what milk was not sold or manufactured would be surplus and that would be the price of butter.

Q. Was that agreed to by the producers' association?—A. They knew. We sent a letter the next morning.

Q. Just another question. You gave us the price of cream—sweet cream that you are buying as sweet cream?—A. Yes, sir.

Q. You gave us that as 24·52 per pound of butterfat?—A. Yes.

Q. Then you gave us the average price per half-pint of cream.—A. 12·87. That leaves us in the dark—

Q. The only way to file the difference between the cost price and delivery price would be for us to have the average percentage of butterfat in the cream, because you gave the average price per half-pint. Can you give us the average butterfat in the cream sold?—A. We would give you the average price we paid and the average price that we sold.

Q. Per pint?—A. Half-pint.

Q. Give us the price you paid—the average price?—A. ·0624.

By Mr. Bertrand:

Q. Mr. Charest, have you got any connection—your company, the J.J. Joubert subsidiary of the Borden Milk Company—have you any connection with the chain stores?—A. We sell to chain stores.

Q. How much per quart?—A. In 1932?

Q. 1932. Let us follow 1932.—A. We sold them 2 cents less than the retail price. The retail price was 9 cents.

Q. Did you sell to any other merchant?—A. We sold—when I say chain stores that means all grocery stores.

Q. All at the same price?—A. Two cents less a quart.

Q. You said a moment ago that the salary of Mr. Joubert was $13,500 in 1932?—A. Yes.

Q. Your own income was $13,500?—A. Yes.

Q. And the secretary is paid how much?—A. $8,000.

Q. And your directors are paid how much?—A. I do not know. They were not paid any extra salary I know of, and I was not.

Q. Do you mean to say that the directors are not paid any salary?—A. No; not the J. J. Joubert company.

Q. Now, I understood you to say you were making a report to certain gentlemen in Ottawa, the Ottawa Dairy Company?—A. Thorne.

Q. Do you pay him any salary?—A. We do not, sir.

Q. You said your income tax was $18,500 and some odd?—A. Yes.

Q. On what amount of profit was that income tax paid in 1931? Was that estimated on the 1931 income?—A. On $155,000.

Q. On how much?—A. $155,734.27.

Q. Was that your profit for 1932 or 1931?—A. 1932.

Q. Your profits in 1932 were $155,734?—A. Yes, sir.

Q. A moment ago you said the producers were agreeable to the price you were paying them?—A. Yes.

Q. Later on in giving your evidence, did you not say you were writing to the customers about the change that there was going to be made in prices; that they would be informed in a letter about those changes?—A. For manufacturing and surplus.

Q. Consequently, who fixed this surplus manufacturing quantity?—A. They knew we fixed it ourselves. The price of butter is fixed on the market price of butter.

Q. Consequently you pay a price on their milk either surplus, or what you call surplus milk, on the price of the prevailing price of butter.—A. The surplus was fixed on the market price of butter, sir.

Q. In so far as this manufactured milk is concerned, you said a moment ago that you were separating a certain amount for cream. Can you supply the cream for this amount? You said it was not very much, but we would like to know the quantity?—A. I have not got it, sir.

Q. Will you supply the committee with that information later on?—A. We will furnish it.

Q. You will?—A. Yes, sir.

Q. Now, on the 27th February this year, I understand the price of milk was reduced by one cent?—A. Yes, sir.

Q. How much were you paying to the producer, association price, let us take that, as fluid milk?—A. $1.35.

Q. $1.35?—A. Yes.

Q. How are you fixing those prices to be paid to the producer?—A. We meet the producers.

Q. The Producers' Association?—A. The Producers' Association, and the matter is discussed, the price, not only the price, but the whole situation of the milk business is discussed with the producers and we arrive at a price with them.

Q. You said a moment ago part of your milk was based on the value of butterfat for butter making. Do you take that into consideration in fixing the price of fluid milk?—A. No.

Q. Well, on what basis do you work to fix the price of fluid milk to the producer?—A. Well, it is fixed on the street milk, on the sales of street milk.

Q. That is, for the price you can sell your sweet milk?—A. Yes.

Q. Consequently, would that be one of the means that you are employing in arriving at the price that you are going to pay to the producer. In arriving at the price you are going to pay to the producer, you are taking into consideration the price you can sell your milk, for first, and then you deduct your

spread?—A. No. We meet the producers and they bring in their reasons for asking for so much more for their milk, and this is discussed with all the milk dealers, and we arrive at some agreement with them.

Q. Well, I cannot catch that point at all; that is not clear at all. You said you are not basing your price on the value of butterfat for butter making in fixing the price for fluid milk?—A. Surplus milk does not enter into the consideration of the price at all, sir.

Q. Very well then, I will accept that. Then I should like to ask on what basis are you fixing your prices to the producer. You said on the possible price of the sale of milk. My next question is this: you take the price you can sell your milk for as fluid milk and deduct your spread and give the balance to the producer?—A. We have to get a certain profit, of course.

Q. Well, I shall change that question. You deduct the price or spread plus your profit that you have, and give the balance to the producer?—A. We must always take into consideration the amount of money we are making, or profits.

Q. Well, I am sure that you do that. Don't tell me about that; I am sure you do that.—A. Parlez-vous Français?

Q. Yes, but for the benefit of the committee we have to continue in English. I would rather speak in my own tongue, but for the benefit of the committee I have to carry on in the English language myself, so I shall ask you to do the same. I am really sure you are taking care of your profits, but what I am driving at is this: after deducting your profit and your spread, the balance goes to the producer?

Mr. Moore: In other words, they always make the same profit, and the farmer gets what is left.

The Witness: We say the producers are asking so much for 100 pounds of their milk, and are considering what we have done before, our profits in the past years and all that, and we can arrive at a settlement at such a price.

By Mr. Bertrand:

Q. Well, let us take it the other way. You were paying $1.35 per 100 pounds of fluid milk before the one cent deduction occurred on the market, and you are paying the same price still, I understand?—A. Yes.

Q. A moment ago you made a declaration that your profits were ·023 per quart?—A. Yes.

Q. That is on your last year's operations?—A. Yes.

Q. Consequently you are now operating at a loss?—A. We are.

Q. You were saying a moment ago you were going to make a certain margin of profit to protect your own interest?—A. This year there would be a loss.

Q. With this cent deduction it will mean 40 cents a hundred pounds. Do you mean to say that in some future time, when this enquiry is over, or afterwards, that eventually that deduction has to be passed on to the producer?—A. I have no doubt.

Q. That makes that point clear. You said a moment ago you made somethink like $25,000 or $26,000 profit on ice cream.—A. $3,000.

Q. No, the gross profit.—A. $26,680.02.

Q. Of profit on ice cream?—A. Yes, sir.

Q. You made some $25,000, or $26,000 profit on ice cream?—A. $3,000 net.

Q. Net profit, yes.—A. $26,680.02.

Q. That is profit on ice cream?—A. Yes, the sum of $22,000 and some odd hundred for sales tax alone?—A. Yes.

Q. Can you give us the figures on what amount of ice cream that you paid this income tax?

The Chairman: Sales tax, you mean.

By Mr. Bertrand:

Q. On which you paid sales tax?—A. We have not got that. We could give you that.

Q. How much is the sales tax?—A. Six per cent.

Q. Will you please supply us with a statement just covering that particular point?—A. We will.

Q. That is probably the most absurd one we have heard of; may I just be permitted to say that?—A. Well, we will.

Mr. GOBEIL: You are forgetting that that is not—

Mr. BERTRAND: It is paid on sales.

Mr. GOBEIL: You can't very well make such a statement.

Mr. BERTRAND: Unfortunately, anyone connected with the ice cream business—and I happen to have operated one of those little ice cream plants in the country district, and for anyone operating such a little plant, we know that there is a tremendous profit there, and when they say 6 per cent of the whole business will cover probably some 75 or 80 per cent in sales tax alone, I repeat it is the most absurd evidence we have had during the course of this inquiry so far.

Mr. MULLINS: There is a mistake.

The WITNESS: Well, I would invite you, if you know something about it, to look at our books.

Mr. BERTRAND: I think it would be for you to invite me to show you how to do it to make more profit.

The WITNESS: There are correct figures.

Mr. BERTRAND: Well, you produce a statement of that, will you?

By Mr. Pickel:

Q. Mr. Charest, you had—

The CHAIRMAN: Wait till Mr. Bertrand is through.

Mr. BERTRAND: I am through.

By Mr. Pickel:

Q. You sold ice cream to the exent of $26,800?—A. I beg your pardon?

Q. $26,800?—A. $26,680.02.

Q. That is your income from ice cream?—A. That was our profits.

Q. Your profits?—A. Net profits.

Q. Net profits.

The CHAIRMAN: Gentlemen, it is away after one o'clock.

The WITNESS: And the sales tax taken off, there is a net profit left of $3,831.82.

Mr. PICKEL: And paid sales tax, $22,848.20.

The CHAIRMAN: All right.

By Mr. Barber:

Q. On the Montreal market I suppose one factor that enters into the price of milk is the fact that there is a low price milk reaching that market; that is what we sometimes call bootleg milk brought in from the country and sold at a low price.—A. Well, we know of that; we know there was a lot of milk coming in at night.

Q. You knew there was a lot coming in?—A. Yes; it was called bootleg.

Q. If there was something in the way of orderly marketing—.—A. At least, we know—it was said some of the time that we were representing the people that did it.

Q. If there was some arrangement made whereby the product of the producer's milk was marketed in a more orderly way, it would be beneficial all around, would it not?—A. Well, they can't control all the milk. There is too much milk produced in the market, for the Montreal market.

Q. That is just what I was trying to get at, a rushing for the retail market has caused a slump in prices?—A. Yes; there is too much difference between the factory prices in the country, and the price of fluid milk in the city.

Q. Well, it there was a proper organization, the surplus could be held back, and cut down other channels, the amount of whole milk shipped or delivered retail in the city could then be more or less regulated?—A. It would be better; certainly, it would be better.

By Mr. Pickel:

Q. Mr. Charest, in cream—speaking of the profits in cream, here is a return sheet from you giving 24 cents per pound for 30 per cent cream.—A. No, 24 cents per pound does not amount to—

Mr. Gobeil: Butter fat?

By Mr. Pickel:

Q. Yes, 24 cents per pound butter fat.—A. Yes.

Q.. This fellow was sending 30 per cent?—A. It might have been 30 per cent cream, it might have been 40 per cent cream.

Q. What would you sell that for, that same cream at 30 per cent?—A. Well, then we made butter with it.

Q. That figures up about 80 cents?—A. If it was sour cream, make butter with it.

Q. I am talking about sweet cream; that figures out about 80 cents a pound, for which you pay 24 cents.—A. Well, you must know, there is a lot comes back, that although it is sweet, the result is it is not all sold.

Q. Well, it is well understood—.—A. I say it was sold, but when we sell it on the rigs, a lot of it comes back and we make butter out of it.

Q. Is it not well understood in the trade that there is a good deal more money made in the sweet cream trade than there is in the milk trade?—A. At the present time there is.

Q. Does it cost you more for delivering milk to-day than it did fifteen years ago?—A. It certainly does.

Q. Are not a good many of your processes cheaper to-day, your bottling?—A. I would not say they are cheaper, because we have so much more machinery than we had.

Q. You have more machinery?—A. We have more regulations.

Q. But your actual cost of bottles and delivery is cheaper to-day?—A. That is not all that enters into it; delivery expense is very great.

Q. I understand; but you deliver your bottle quicker than you can from a can and pour it out?—A. No.

Q. —and go around and find a pitcher or something to put it in.—A. The routes are smaller too.

The Chairman: Gentlemen, there is not a quorum present.

Mr. Mullins: I would like to ask one question. You are a practical man; you have had to do with dairying all your life?—A. Not all my life.

Q. Well, a big part of it?—A. A good many years.

Q. What type of cow would you prefer to get milk from?—A. Well, there are some Holstein men and there are some Ayrshire men; I am an Ayrshire.

Q. What about shorthorns; don't you put some of the milk you get from certain herds—don't you have to put some in to strengthen up some of this

weak blue milk that you get?—A. We don't get any blue milk. Then we get milk that is under two—under the regulations, that is 3·25, it is refused.

Q. Do you get it below 3·5?—A. We don't get any.

Q. You get it all above 3·5?—A. Yes; that is why we pay a premium, to get it.

Q. You don't have to strengthen the milk at all with any process?—A. No.

Q. Powders or anything?—A. No.

Q. Or milk from a particular breed of cow?

By Mr. Pickel:

Q. Do you sell certified milk?—A. Yes.

Q. At how much?—A. 25 cents a quart.

Q. 25 cents a quart?—A. Yes.

Q. How much do you sell of it?—A. If you ask me how much, what price we sell it for, I might tell you how much we pay for it also. It would be perhaps looking at the picture on both sides. We pay eighteen cents a quart.

Q. And sell for 25?—A. Yes.

Q. That is not pasteurized at all?—A. No.

Q. Just as you get it?—A. Yes.

Q. You don't run a farm or dairy in connection with your distributing?—A. No, we don't.

Q. You are lucky.

The CHAIRMAN: Gentlemen, the committee is adjourned.

The committee adjourned at 1.15 o'clock, to meet at the call of the Chair.

APPENDIX B

J. J. JOUBERT LIMITEE

	March 17, 1933.
Capital stock	$ 765,100 00
Reserve and surplus	1,211,119 03
Total	$ 1,976,219 03
Net income 1932	147,166 16
Per cent of invested capital	7·446

J. J. JOUBERT LIMITEE

Bottle expense in year 1932

Dominion Glass Co	$ 8,591 35	
Milk Dealers' Bureau	4,528 62	(1½c. per bottle)
Total	$ 13,119 97	

Bottle expense in year 1931

Dominion Glass Co	$ 15,662 72	
Milk Dealers' Bureau	4,135 96	(1½c. per bottle)
Total	$ 19,798 68	

13½ per cent of sales are in pints.

J. J. JOUBERT LIMITEE

STATEMENT OF OPERATING RESULTS—YEAR ENDING DECEMBER 31, 1932

—	Milk converted quarts	Percentage of selling price
Sales	·0968	
Cost of product	·0387	39·97
Production, selling and delivery expense	·0555	57·33
Net profit (less income tax)	·0023	2·37
Income tax	·0003	·33
Total cost and profit	·0968	100·00

68 per cent of sales of milk are made at retail.

BORDEN'S FARM PRODUCTS CO. LIMITED

STATEMENT OF OPERATING RESULTS—YEARS ENDING DEC. 31ST, 1931 AND 1932

—	Milk converted quarts 1931	Percentage of selling price 1931	Milk converted quarts 1932	Percentage of selling price 1932
Sales	·1155	....	·1041	....
Cost of product	·0521	45·11	·0415	9·87
Production expense	·0127	11·00	·0119	11·43
Selling and delivery expense	·0403	34·89	·0412	39·58
Container costs	·0022	1·90	·0019	1·82
Net profit (less income tax)	·0074	6·41	·0068	6·53
Income tax	·0008	·69	·0008	·77
Total cost and profit	·1155	100·00	·1041	100·00
Quantities	8,679,919		7,219,313	

J. J. JOUBERT LIMITEE

Net profit on ice cream in 1932	$ 26,680 02	
Sales tax—Dominion of Canada		$ 22,848 20
Net profit		3,831 82
		$ 26,680 02

J. J. JOUBERT LIMITEE

STATEMENT AS TO WAGES AND SALARIES OF EMPLOYEES

Total number of employees, 604. Our total for wages and salaries in 1932 amounts to $813,403.65. We have 138 drivers, and their wage earnings for February, 1933, average $27.65 per week.

J. J. JOUBERT LIMITEE

This company was incorporated by letters patent of the Province of Quebec, on December 4, 1914. The charter of the company was amended on January 18, 1921, and again upon December 30, 1925, and December 3, 1930.

These amendments consisted in changing the powers of the company, excepting that the amendment in 1921 increased the capital from $299,000 to $500,000 and December 30, 1925, from $500,000 to $1,500,000.

The present capital structure of this company is as follows: $765,100—7,651 shares of a par value of $100 each; $1,211,119.03—reserve and surplus; $1,976,219.03—total capital.

Our company has its head office in the City of Montreal, and its officers are as follows: President, Mr. J. J. Joubert; Vice-President and Treasurer, Mr. N. S. Charest; Secretary and Controller, Mr. J. A. Martin.

During 1932 our company made profits on its total invested capital of 7·446 per cent. Our company's investment in Land, Buildings, Equipment, etc., is the following:

Land	$ 176,642 60
Buildings	750,791 34
Machinery, tools and equipment	670,949 02
Mechanical refrigerating cabinets	263,332 63
Bottles, boxes, cans and tubs	94,553 31
Motor vehicles	187,724 30
Horses, harness and waggons	162,684 48
Furniture and fixtures	29,658 69
	$ 2,336,336 37
Less reserve for depreciation	1,118,607 13
Total	$ 1,217,729 24

J. J. JOUBERT LIMITEE

Our Profits for the year 1932 were $147,166.16, which represents all the profits we earned upon our various products, milk, cream, butter, buttermilk, cheese, eggs, ice cream, etc.

J. J. JOUBERT LIMITEE

Table No. 1 | Table No. 2

Month	Purchase price per cwt.	Purchase price per quart	Retail price per quart	Spread per quart	Lbs. of milk purchased	Value and premium per cwt.	Value per quart	Number of quarts sold	Total value	Value per quart	Spread per quart
1932	$ cts.								$ cts.		
January	1·70	·0438	·11	·0662	2,898,347	1·7514	·0451	1,013,115	104,922 13	·1036	·0584
February	1·70	·0438	·11	·0662	2,821,412	1·7579	·0453	1,008,116	114,640 37	·1038	·0585
March	1·70	·0438	·11	·0662	2,980,280	1·7463	·0450	1,067,545	110,099 09	·1031	·0581
April	1·575	·0393	·10½	·0657	2,673,330	1·5400	·0397	986,833	98,009 97	·0993	·0596
May	1·35	·0348	·10	·0652	2,717,088	1·2967	·0334	1,002,986	94,279 61	·0940	·0606
June	1·35	·0348	·10	·0652	2,439,996	1·3429	·0346	900,700	84,883 54	·0942	·0596
July	1·35	·0348	·10	·0652	2,272,362	1·3281	·0342	838,820	78,143 28	·0932	·0589
August	1·35	·0348	·10	·0652	2,203,938	1·3194	·0340	813,562	75,659 69	·0930	·0590
September	1·35	·0348	·10	·0652	2,372,203	1·3240	·0341	875,675	80,252 22	·0916	·0575
October	1·35	·0348	·10	·0652	2,393,035	1·3237	·0341	883,365	81,346 57	·0928	·0580
November	1·35	·0348	·10	·0652	2,602,423	1·4290	·0368	871,412	80,069 98	·0919	·0556
December	1·60	·0412	·11	·0688	2,963,331	1·6841	·0434	888,243	87,553 23	·0986	·0552
Total					31,337,745			11,150,372	1,079,859 68		
Average	1·476	·0381	·1038	·0657	2,611,479	1·5030	·0387	929,198	89,988 31	·0968	·0581

Note: Average price F.O.B. City Railroad Station for 3·5% Milk, based on 38·8 Quarts per 100 lbs.

Note: 3c. per point premium above 3·5%.

Table No. 2A

Spread per Quart (A) (See Table No. 1) Based on Top Retail and Nominal Purchase Price.

Spread per Quart (B) (See Table No. 2) Based on Actual Price Realized and Actual Cost of Milk.

Table No. 3

Average Price Paid for all Milk for all Purposes.

Table No. 4

Pounds of Milk Purchased and Disposition.

Month	A	B	Differential between A & B	Month	Per cwt.	Per quart	Month	Lbs. milk purchased 1932 Street sales	Surplus	Total	Percentage Street sales	Surplus	Total
1932													
January	·0662	·0584	·0078	January	1·636	·0426	January	2,898,347	492,402	3,390,749	85·5	14·5	100
February	·0662	·0585	·0077	February	1·696	·0437	February	2,821,412	224,850	3,046,262	92·6	7·4	100
March	·0662	·0581	·0081	March	1·665	·0429	March	2,980,280	393,101	3,373,381	88·4	11·6	100
April	·0657	·0596	·0061	April	1·374	·0354	April	2,673,330	821,162	3,494,492	76·5	23·5	100
May	·0652	·0606	·0046	May	1·191	·0307	May	2,717,088	771,582	3,488,670	77·9	22·1	100
June	·0652	·0596	·0056	June	1·166	·0301	June	2,439,996	1,240,065	3,680,061	66·3	33·7	100
July	·0652	·0589	·0063	July	1·178	·0304	July	2,272,362	998,330	3,270,692	69·5	30·5	100
August	·0652	·0590	·0062	August	1·205	·0311	August	2,203,938	709,868	2,913,806	75·6	24·4	100
September	·0652	·0575	·0077	September	1·234	·0318	September	2,372,203	576,802	2,949,005	80·4	19·6	100
October	·0652	·0580	·0072	October	1·260	·0325	October	2,393,035	322,618	2,715,653	88·1	11·9	100
November	·0652	·0555	·0097	November	1·429	·0368	November	2,602,423	963	2,603,386	99·9	·1	100
December	·0688	·0552	·0136	December	1·682	·0434	December	2,963,331	7,908	2,971,239	99·7	·3	100
Total &	·0657	·0581	·0076		1·393	·0359		31,337,745	6,559,651	37,897,396	82·7	17·3	100
Average								2,611,479	546,637	3,158,116			

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 30, 1933

No. 10

Reference,—Milk and Milk Products

WITNESSES:

E. A. Cousins, President, Ernest Cousins Ltd., Montreal.
F. Monette, President and Manager, Perfection Dairy, Ltd., Montreal.
Appendix B,—Documents filed by Witnesses, Cousins and Monette.
Appendix C,—Documents filed by Witness, P. O. McArthur.

(See No. 2, Proceedings and Evidence.)

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 30, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Boulanger, Boyes, Brown, Carmichael, Donnelly, Dupuis, Gobeil, Hall, Hay, Loucks, McGillis, McKenzie, Moore, Mullins, Pickel, Sauve, Seguin, Shaver, Stewart, Stirling, Taylor, Thompson, Tummon, Weese, Wilson, Weir (*Macdonald*).

The subcommittee on witnesses reported that E. A. Cousins and F. Monette of Montreal had been summoned to attend to-day.

Report concurred in.

E. A. Cousins, President, Ernest Cousins, Limited, recalled and examined.

Witness retired.

F. Monette, President and Manager, Perfection Dairy Limited, recalled and examined.

Witness retired.

Moved by Mr. Spotton that witness Cousins be recalled at the discretion of the subcommittee on witnesses together with the chartered accountants whose certificate appears to the Annual Financial Statement of the company.

Motion carried.

The meeting adjourned at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH, 30, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: Gentlemen if you will come to order I think we are ready to proceed with the taking of evidence, and Mr. Cousins and Mr. Monette are both here to give evidence. It is the wish of the committee that these gentlemen be heard. Carried.

ERNEST ALBERT COUSINS, called and sworn.

By the Chairman:

Q. Mr. Cousins, what is your position?—A. President of the Ernest Cousins Dairy Company, Montreal.

Q. Have you a statement to make first?—A. Gentlemen, I understand when my son was here that he gave you all the necessary information that was requested. When he came home he said that you desired some further information. I have the synopsis of the information you require here which I shall be very pleased to give you and any other information that you desire for the betterment of the agriculturist and the milk dealer, because I may say that we are both in the unfortunate condition of being in a poverty stricken condition at the present time. Now, I understand the first thing you desire is a report of the statement, the audit statement of 1931. I have that here. I see that you have a compendium of this in the Agriculture and Colonization minutes of proceedings and evidence Tuesday, March 14; so, I am open to answer any questions that you desire. I can go right through this evidence again if you so want it, but I think it is quite unnecessary.

The CHAIRMAN: There are a number of copies of this evidence here, a few—not enough for all the members of the committee—but so far as we can hand them around they are available. Now, there were certain questions which Mr. Tummon, a member of the committee, desired to be answered.

The WITNESS: The first of these, profit and loss statement for the year 1931, I have it. Do you desire I should read it?

Mr. BROWN: The 1932 statement had not been audited when we had the report.

The WITNESS: That is the fact, and it is not properly audited yet, but I have it.

By the Chairman:

Q. Is it the same statement as was included in the original minutes?—A. Exactly.

Q. There is no need of reading it again?—A. No, not without necessity.

Mr. BOWMAN: May I be permitted to ask Mr. Cousins a few questions with regard to the financial set-up of this company?

The CHAIRMAN: May I say, gentlemen, at the beginning that when you are asking Mr. Cousins and Mr. Monette questions based on the evidence that was

given formerly, if you will give the committee the page on which the information is contained and upon which your question is based it will be helpful to the reporter.

The WITNESS: Probably I can give you an answer to the question you desire.

By Mr. Bowman:

Q. Wait a moment until I ask it?—A. Yes.

Q. When was your company formed?—A. I might say that my business was started by myself in the year 1889. It ran under my own name, and it is run under my own name yet, but in the year 1914 we formed a company.

Q. What was the capitalization of the company at that time?—A. The capitalization of the company at that time was in the neighbourhood of $125,000.

Q. You say "in the neighbourhood;" can you tell me what it was?—A. You desire that I should read you this whole thing?

Q. No; answer the question?—A. "Ernest Cousins Limited— Capital Structure: Ernest Cousins Limited was incorporated under Dominion Letters Patent dated the 9th of April, 1925, with an authorized capital as follows—"

Q. Just a minute. Will you kindly refer to 1914 and tell me what the capitalization of the company was at that time?—A. I have not those figures, because that was a company that was incorporated under my own name and did not concern any person at all. It was an incorporation of $125,000.

Q. You remember the capital set up?—A. Yes.

Q. What was it?—A. About $125,000.

Q. In common stock?—A. No stock. There was no stock issued. Practically I held everything because it was my own business.

Q. Did you issue stock at that time?—A. I did not.

Q. None at all?—A. None at all.

Q. It was just a registered company?—A. Exactly.

Q. It was not a joint stock company?—A. Exactly.

Q. When was the next change in the financing of the company?—A. "Ernest Cousins Limited was incorporated under Dominion Letters Patent with an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of $100 each; 10.000 shares of no par value. Supplementary letters patent were obtained during 1928—"

Q. Just a moment. Let us deal with 1925. You say at that time there were 5,000 shares of preference stock?—A. 7 per cent cumulative redeemable preferred shares of $100 each.

Q. How many were issued?—A. It was all issued.

Q. Ten thousand shares?—A. Of no par value.

Q. Now, were those 10,000 shares all issued too?—A. Yes. They were all issued.

Q. In 1925 what were those no par value shares carried at as a liability on the ordinary balance sheet of the company?—A. "Supplementary letters patent were obtained in 1928—"

Q. Just answer my question?—A. This will tell you.

Q. No. What were the no par value shares carried at on your books after you had reorganized in 1925?—A. The no par value?

Q. Yes. What were they carried at on your books?—A. That I cannot tell you. They were no par value and they were issued with the preferred stock.

Q. Quite true, but they are carried—they are recently carried on your books at a certain value, are they not?—A. If you will allow me to read this.

Q. Answer my question?—A. My mind is not good enough to answer these things without referring to the figures. Figures cannot lie, and here are the facts.

Q. Cannot you tell me now what your no par value stock is carried at on your ordinary annual audit statement?—A. I will give it to you right here: Capital stock authorized, preferred 14,124 7 per cent cumulative shares, redeemable shares at $25 each. That is the price of those shares. 10,000 shares of no par value issued; preferred 6,125 shares at $25 each; 10,000 shares of no par value issued at $5 per share.

Q. Now, what statement are you reading from?—A. 1931.

Q. 1931? So that these no par value shares in 1931 are carried at a nominal value?—A. $150,000.

Q. $150,000?—A. Exactly.

Q. Now, you said a moment ago, referring to the 1925 set-up that there were 5,000 shares of 7 per cent cumulative stock valued at $100 all of which were issued?—A. Evidently, yes.

Q. In other words, you would have $500,000 worth of preference stock outstanding?—A. No, no. The amount outstanding is $153,100.

By the Chairman:

Q. To-day; but in 1925?—A. There is no difference between then and now.

By Mr. Bowman:

Q. Oh, yes. I am sorry. You made a further set-up in 1928 or 1929. I have it before me?—A. "Supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of $100 each were changed into 14,124 preferred shares at a par value of $25."

By the Chairman:

Q. It was split four ways then?—A. Exactly.

By Mr. Bowman:

Q. You see, Mr. Cousins, if you will kindly follow my questions it will make it easier for the committee to follow?—A. Go ahead, sir.

Q. Let us go back to the statement you made a moment ago about 1925. At that time when the company became incorporated you issued 5,000 shares of 7 per cent cumulative stock?—A. Of $100 each.

Q. $100 per issue. That was all issued?—A. Yes. I presume it was.

Q. You said it was?—A. Yes; I presume it was.

Q. And also 10,000 no par value shares?—A. Exactly.

Q. Of common stock?—A. Exactly.

Q. Now, to whom did that stock issue and what for?—A. To whom was it issued?

Q. And what for?—A. It was sold for money received.

Q. To whom?—A. Various persons; whoever desired to enter into and buy that stock just as any other stock. The stock was put on the market as any other stock would be and it was sold to whoever so desired to buy it.

Q. And what was paid to the old company for their interest in the business? —A. "The company received the following consideration for the shares issued."

Q. What are you reading from?—A. I am reading from Dominion Letters Patent dated the 9th of April, 1925.

Q. All right.—A. Is that satisfactory? "Preferred stock, cash invested by subscribers 4,537 shares at $25, making a total of $113,425.

Q. What was that?—A. $113,425.

Q. Then, how do you explain that with your statement 5,000 7 per cent $100 par shares were issued and fully subscribed for?—A. I do not explain that. The facts are here as audited, and I cannot explain more than that.

Q. The statement you are making does not conform with the statement which you just now made, that in 1925 there were 4,537 shares of $25 stock issued. A moment ago you said there were 5,000 shares of 7 per cent stock issued?—A. These are audited accounts.

Q. Well, we cannot help the auditor's accounts. You ought to know the financial position of your company?—A. I am telling you the issue of preferred is 6,124 shares at $25. That is 1925; and this was later supplementary letters patent were obtained during 1928—

Q. 1928. Just a moment. You said 1925?—A. No, I did not. I say I read that to you.

Q. You said 1925?—A. No. In the first instance the company was 1925, and then I read to you "supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of $100 were changed into 14,124 preferred shares at a par value of $25."

Q. All right. You have got down to 1928?—A. Yes.

Q. Now, will you finish with 1925. In 1914 you say the company was valued at roughly $125,000?—A. Exactly.

Q. Now, your next step is 1925 when your company issued 5,000 shares of 7 per cent in cumulative stock with a par value of $100; is that correct?—A. That is right.

Q. In other words, in 1925 you had issued one and a half million dollars worth of 7 per cent cumulative stock?—A. No.

The CHAIRMAN: That is what you said.

By Mr. Bowman:

Q. That is what you say. Are you right or wrong?—A. If you will allow me to read this to you—

Q. Never mind.—A. My dear sir, I am not going to rely on my memory for anything. I will give you the facts as I find them here.

Q. Stick to 1925 for the moment?—A. All right.

Q. Were you right in saying that your company in 1925 issued 5,000 shares of 7 per cent $100 par preference stock; is that right?—A. "With an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of $100 each."

Q. Those were all issued?—A. Well, now, I suppose they were. I am not quite sure of that.

Q. I asked you a moment ago and you said yes?—A. I thought possibly they were, and maybe they were.

Q. Do you know?—A. I could not swear to it.

Q. How do you expect us to get the financial set-up of your company if you yourself cannot tell us?—A. Here we have the whole thing right here.

Q. Never mind right here. You have been associated with the company ever since the eighties?—A. Exactly.

Q. And you have told us one clear statement that in 1914 you had interests roughly of $125,000?—A. Exactly.

Q. Now, I want to know what the next step is in the financial set-up in this company?—A. "Ernest Cousins Limited was incorporated under Dominion Letters Patent dated 9th April, 1925, with an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of $100 each."

Q. Were they issued?—A. To the amount of about $113,425. That is what was the issue.

Q. Then, I understand your statement to be that the whole 5,000 were not issued?—A. They were evidently not issued.

Q. You said they were evidently not issued?—A. Evidently not issued.

Q. Now, what do you say?—A. No. I am taking the figures as I find them. I am not trusting to my memory at all.

Q. What is correct in regard to 1925 preference shares?—A. I think I have it. "Supplementary Letters Patent were obtained during 1928—

Q. Now, you are down to 1928. Give me 1925?—A. I have given it. "5,000 7 per cent cumulative redeemable $100 each."

Q. All issued?—A. The amount issued $113,425.

By the Chairman:

Q. At how much per share?—A. One hundred dollars, and finally turned into $25—

By Mr. Bowman:

Q. They were not turned into $25 shares until 1928?—A. In 1928.

Q. Please stick to 1925?—A. I am sticking to 1925.

Q. No, you are not?—A. Yes, I am.

The CHAIRMAN: Listen, Mr. Cousins, I would not interfere, but you evidently do not know what you are talking about, or else you are trying to mislead this committee. I think you should either give us a plain statement or say you do not know.

Mr. SPOTTON: Paste the papers on the wall.

The WITNESS: With reference to your statement on the present status of the milk business, I may tell you it has nothing to do with it, Mr. Spotton—the set-up of my company has nothing to do with the price of milk.

Mr. SPOTTON: Answer the question.

By Mr. Bowman:

Q. We are not here to find out whether your company are charging exorbitant—collecting exorbitant profits; all we want to know are the facts so that we can judge for ourselves?—A. I am giving that to you, sir.

Q. Now, are you correct in saying that in 1925 the amount of preference stock issued at that time was—.—A. $113,425.

Q. And how much common non par value shares were issued at that time?—A. That was in 1925 or 1928?

Q. 1925?—A. There were 10,000 shares of no par value issued in 1925.

Q. And were they all issued?—A. Yes, they were all issued.

Q. They were all issued?—A. Yes.

Q. And at that time how many preference shares and how many common shares were issued to each subscriber?—A. In 1925?

Q. Yes?—A. I could not tell you the number, but it amounted to $113,425.

Q. That is the preference?—A. No, no; that covers everything.

The CHAIRMAN: Mr. Bowman, I would suggest that you ask how many of these shares had been issued up to 1928 when the new set-up was made.

Mr. BOWMAN: I was coming to that, Mr. Senn.

By Mr. Bowman:

Q. Now, that $113,425, that was what value in preference shares; what was the par value of preference shares?—A. At this time—

Q. I am talking about 1925.—A. Well, I am telling you.

Q. It was not turned to $25 shares till 1928.—A. That is so.

Q. All right, then tell us the set-up in 1925.—A. Well, I told you—I gave 1925.

Q. No you have not.—A. Yes, I have.

Q. How many par value shares went to make up this $113,425?—A. Well, it is easy enough to find that out, just divide $113,425 by 100.

Q. By $100. All right. In other words, you issued about 1,134 shares.—A. Somewhere in that vicinity, yes.

Q. All right. What was done with these shares? Prior to 1925 you really owned the company?—A. Exactly.

Q. Yes. Now, how many shares out of the financial set-up of 1925 did you get for your interest in the old company?—A. I can tell you that right here.

Q. Please remember, I am talking about 1925.—A. Yes. The company received the following consideration for the shares issued.

Q. Now, you are not referring to 1925 are you?—A. No, I am referring to 1928 there.

Q. Yes?—A. But it amounts to the same thing anyway.

Q. I am sorry, Mr. Cousins, it does not amount to the same thing, because I have your financial statement of 1928 before me.—A. Yes, exactly.

Q. Tell me, in 1925 what did you get for your interest in that old business which you say was not incorporated as a limited company until 1925?—A. I think I have those figures here somewhere.

By the Chairman:

Q. You may refer to your secretary at any time, Mr. Cousins, if you wish to.

WITNESS: Yes. Well, she has not these figures here. I simply have figures here that the auditor gave me, that I have down here. Now, that is the same thing, I can't get any further than that, Mr. Bowman.

By Mr. Bowman:

Q. All right then, Mr. Cousins, so that you can't tell the committee to-day what you personally got out of the company in preference stock and common stock when the new set-up was made in 1925?—A. Yes, you can take it that way if you so desire.

Q. Well, I am not taking it that way, I am asking you.—A. Well, exactly.

Q. That is the way you wish the committee to take it?—A. Exactly.

Q. So you can't possibly tell this committee what your financial interest was in the company in 1925?—A. Yes, I can.

Q. All right, will you kindly let us have it.—A. The difference between $113,425 and $203,100.

Q. What was the last figure, Mr. Cousins?—A. The difference between $113,425 and $203,100.

Q. Yes. That would be, roughly speaking, about $87,000?—A. Exactly.

Q. Yes?—A. $89,000, as a matter of fact.

Q. It would be $89,675. All right now, you say that the difference between these two sums, that is approximately $89,000, represents what?—A. Represents my share of the business.

Q. Your share?—A. The value of my business.

Q. The value of your business?—A. Of my business that was turned into the joint stock company.

Q. When you turned it into the new company, did you get that out of the company in cash?—A. No, just simply in stock.

Q. No cash at all at that time?—A. Not a single cent.

Q. Not a single cent. What stock was issued to you in payment of that difference, your equity of $89,000?—A. Well, that would be a difference—I haven't the figures here—but it is easy enough to draw the inference.

Q. Well, are you satisfied that we do draw the inference?—A. Oh yes, I am perfectly satisfied.

Q. Then, you got out of this reorganization in 1925 for your equity, in preference stock and in on par value stock and an amount equivalent to approximately $89,000.—A. Exactly.

Q. And what happened of the other $113,425 to which you have made reference, can you give that?—A. That is held by shareholders.

Q. That is held by the shareholders.—A. Except $30,000, which unfortunately, the man who issued the stock forgot to turn in, that is, he went away one night when nobody was looking.

Q. In other words then, Mr. Cousins, you might like to correct the statement which you made a few moments ago, that the capital set-up of the company was $113,425; the real set-up is $203,100.—A. Exactly.

Q. Well, there is quite a difference, Mr. Cousins.—A. Well, I am simply referring to the figures here, explaining to you that that amount of stock was held by the shareholders, outside of my own.

Q. Oh well, that is not what you said, of course. Instead of having a company with a financial capital of $113,425, in 1925, you now tell us that the amount that was issued was $203,100. Is that correct?—A. Exactly.

Q. All right, we will get this thing right after a while. Now, this $113,425 preference stock, 1925, was that sold to the public?—A. Yes.

Q. That was sold to the public, at what figure?—A. In 1925 it was sold at $100, and 1928 it was turned into 14,124 preference shares at a par value of $25.

Q. All right, now we will get down to 1928, the year to which you have referred. Prior to 1928 you had issued 2,031 shares of preference stock at a par value of $100. That would be correct, would it not?—A. Yes, it is somewhere in that vicinity.

Q. Well, for a successful business man, you are leaving a lot for the committee to guess at, aren't you, Mr. Cousins?—A. Well, I like them to do some guessing, sometimes it helps me too.

Q. All right, I think perhaps you are right. Now, Mr. Cousins, in 1928 there was a further financial reorganization.—A. Exactly, "supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled, and the remaining 3,531 preferred shares of a par value—"

Q. Just a minute; let me get those figures, please, so I may make a note of them.—A. 1,469 preference shares were cancelled.

Q. Yes, go ahead.—A. "And the remaining 3,531 preferred shares of a par value of $100 were changed into 14,124 preferred shares at a par value of $25."

Q. Yes. Now then, let me take the statement which you have just given, Mr. Cousins. You say that in 1928, 1,469 of the preference shares were cancelled.—A. 1,469 of the preference shares were cancelled.

Q. Leaving 3,531 preference shares of a value of $100 each.—A. And the remaining 3,531 preferred shares of a par value of $100 were changed into 14,124 preferred shares of a par value of $25.

Q. Yes, well, 1,469 plus 3,531 makes your 5,000 preference shares?—A. Yes.

Q. All right, now, there was at that time substituted for these shares, 14,124 preferred shares of a value of $25 each?—A. Exactly.

Q. In other words, 3,531 preferred shares formerly valued at $100 became 14,124 preferred shares having a value of $25.—A. Having a value of $25.

Q. Yes, is that correct?—A. So says the auditor.

Q. All right, now, what was done with these shares?—A. The company received the following consideration for the shares issued: preferred stock, cash invested by subscribers, 4,537 shares at $25, $113,425.

Q. So this money came from the 4,537 shares sold at $25?—A. 4,537 shares at $25, $113,425.

Q. Yes.—A. "Net assets of the Ernest Cousins, Limited, old company purchased, exclusive of good will, 1,587 shares at $25, $39,675"; making a total of $153,100; bonuses to subscribers 6,125 shares, preferred dividends.

Q. That is what?—A. Bonuses to subscribers, 6,125—that was not cash, that was in common stock.

Q. Not cash?—A. No, common stock; that was a bonus to subscribers.

Q. Yes. Now, going back to 1925, you had 2,031 shares of a par value of $100 issued.—A. Yes.

Q. In the reorganization of 1928, three years later, you had 3,531 shares substituted for 2,031 which you had in 1925.—A. "1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of $100 were changed into 14,124 preferred shares of a par value of $25."

Q. Yes. Well, you said a moment ago that in 1925 you had issued 2,031 shares, preference shares at $100 par value?—A. Yes.

Q. That becomes, under the reorganization, three years later, 3,531 preferred shares.—A. That is the remaining—that was the amount: "and the remaining 3,531 preferred shares of a par value of $100 were changed into 14,124."

Q. Oh yes, we have had that before.—A. Yes, several times.

Q. Yes, several times, but the stock you issued in 1925 became 3,531 in 1928. In other words, the capitalization of your company was almost doubled between 1925 and 1928.—A. It may have been that.

Q. It may have been that, do you know whether it was or not?—A. Yes.

Q. It was?—A. Yes, and it is worth it.

Q. Quite true. You must have been doing a pretty good business.—A. A very good business, yes, we were—only to-day we are making no money.

Q. Well, you are paying dividends?—A. No, we have not paid dividends for this last, I think, four months.

Q. Oh, you are a very fortunate business man, Mr. Cousins. Now, did you pay any dividends in 1925?—A. Excuse me a moment, to eliminate the smile, I want to say that these dividends were paid quarterly; unfortunately, owing to the terrible state of the milk business, we had to pass it—that was a month ago.

Q. In other words, as you said, you have not paid a dividend in the last four months?—A. Four months. However, I mean—.

Q. As your said poor poverty stricken milk companies?—A. Exactly, some of them are going to the poor house, I am afraid.

Q. But, at all events, your company was doing pretty well, because in 1914 they started up with a capitalization of $125,000.—A. Yes.

Q. By 1925 that had become $203,100?—A. Exactly.

Q. And by 1928 it had become almost double that amount?—A. Exactly.

Q. Yes, and in 1931 you were able to pay dividends on the whole amount of the capital stock of the company?—A. Exactly, all that was issued.

Q. Now, what dividend did you pay in 1931?—A. 7 per cent.

Q. 7 per cent, on what?—A. On the amount of the preferred shares.

Q. Nothing on the common?—A. Nothing whatever.

Q. Nothing on the common; and in 1931 how much preferred stock had you out?—A. The same as we had in 1928.

Q. That is, 14,124 shares?—A. Exactly.

Q. At a value of $25 per share?—A. The Company has not been disturbed since that date.

Q. Now, in paying these dividends in 1931, you didn't pay any dividends in 1929?—A. Yes, we did; we paid dividends in 1929, in the latter end of 1929 and right through 1930-1931, I think.

Q. Yes, I see. When did you first start paying dividends. You have always paid the 7 per cent cumulative dividend on the 7 per cent cumulative stock, haven't you?—A. No, we paid some of those dividends by the issue of stock.

Q. Issue of what stock?

By Mr. Donnelly:

Q. As I remember the previous evidence given for your company it was said that in the years 1921 to 1930 you paid no dividends, now you say you paid dividends in 1929?—A. Well now, I am not sure of that fact, it may have been 1930. I haven't those figures here.

Mr. BOWMAN: I am coming to that, Mr. Donnelly.

Mr. DONNELLY: Well, I just want to get that.

By Mr. Bowman:

Q. Well, what amount of cumulative dividends are in arrears on your preferred stock now?—A. Oh, there is quite a little.

Q. Well, how much?—A. I cannot tell you the exact amount, I don't carry that in my head.

Q. Well, you have the auditor's statement here?—A. I have.

Q. Well, is there any indication in your auditor's statement as to what dividends have not been paid on the cumulative preference stock?—A. No, he doesn't show that.

The CHAIRMAN: That should be included with the liabilities.

By Mr. Bowman:

Q. Certainly, it should be included with the liabilities if there are any; it should be shown as a liability of the company in your statement if there are any cumulative dividends outstanding?—A. Just one moment, possibly I have it here: "Mr. Ernest A. Cousins arranged with nearly all the shareholders to issue, and he has issued to them, certain of his own shares of no par value stock of your company in lieu of their accrued dividends on the preferred stock prior to the 21st November, 1928.

Q. Yes, that is no par value stock was issued in payment of dividends?—A. Exactly, it was a stock dividend, as a matter of fact.

Q. It was a stock dividend?—A. Exactly.

Q. And in your balance sheet you carry this no par value stock at $5?—A. Yes.

Q. It is of some value isn't it?—A. Yes.

Q. So, it is the same as paying a dividend?—A. Exactly, the same thing.

Q. So, your son was mistaken in telling us there was no dividend paid prior to 1930?—A. Well, he may have been, but you know a man can't carry all these things; and he was not aware of the fact that you wanted the set-up of this company. He merely came up here with the idea that you wanted to know the true inwardness of the milk business at the present time.

Q. Well, this "true inwardness" apparently is pretty hard to come at?—A. Well, I suppose, possibly.

Q. We are trying to get at it now?—A. Yes.

Q. Now, would you mind referring back again to the financial set-up of 1928?—A. Yes.

Q. Did you at that time, personally, get any cash out of the business?—A. I did not, not one cent.

Q. Did the old company, Ernest Cousins Limited?—A. They got no cash whatever.

Q. Just a moment, Ernest Cousins Limited prior to the issue of Supplementary Letters Patent in 1928, did they get any cash?—A. No cash.

Q. No cash?—A. No cash whatever.

Q. Did they get anything for goodwill in the old business?—A. Well, you mean to say—of course that word "goodwill" is a term that is not acceptable; you are quite aware of that fact.

Q. Well, I am using it in the accepted sense?—A. You mean, the value of the business that I turned in, is that it?

Q. Yes, what did you get out of that prior to 1928 for goodwill?—A. I have that here: "Net assets of the Ernest Cousins Limited, old company, purchased exclusive of goodwill". You have those figures haven't you?

Q. Yes, but exclusive of "goodwill"; I am talking about goodwill?—A. Well, again, that amount would be the difference between $113,425 and $203,100.

Q. Oh no, you gave us that figure before, you gave us that as the actual value of the business. I am asking about goodwill?—A. Well, that covers it.

Q. That covers it. How much of that was goodwill?—A. Well, as I said just now, we didn't take into consideration that particular "goodwill"; we simply took into consideration the value of the business that was turned in.

Q. Then, "goodwill" has never been taken into consideration in the reorganization of this company?—A. Never yet, simply the value of the business that was turned in.

Q. Now, you are quite certain of that Mr. Cousins?—A. Well, I am not certain of anything in this world except death and taxes.

Q. Surely you are certain of a statement you are giving to this committee?—A. I am giving you the figures as I have them here given by the auditor, I am not departing from them, anything I surmised might not be correct at all.

Q. I am not asking you what you surmised; I am asking you if "goodwill" was taken into consideration, and what value is obtained in the reorganization of this company?—A. None whatever, that is simply the value of the business.

Q. Nothing whatever?—A. You can even call that "goodwill", if you so desire.

By the Chairman:

Q. You said that was exclusive of "goodwill"?—A. There is no "goodwill" attached to it.

The CHAIRMAN: It is strange that that clause should be inserted there if there is no consideration received for it later.

By Mr. Bowman:

Q. I want to refer to the 1928 set-up. I have here before me a memorandum issued by your company on November 5, 1928, directed to the shareholders of Ernest Cousins Limited, and the last paragraph of that memorandum reads as follows: "Summing up, the result under the proposed changes will be that the shareholders for each share of preferred stock and the common stock", note that phrase, "for each share of preferred stock and common stock purchased by them will hold certificates for preferred stock equal at par to the actual amount paid in"?—A. Yes.

Q. "And will further hold three shares of common stock, namely the original share purchased and two additional shares." In addition to the increase in capital at preference shares, to which you referred a little while ago, the shareholders in the company got further bonuses at that time of 2 shares of the common stock?—A. Yes.

Q. Yes. Now, you have before you the statement of 1931; have you an extra copy of that?—A. I will be pleased to allow you to keep this one, Mr. Bowman.

Q. No, I want you to refer to it?—A. All right.

Q. Now, what is the financial set-up of the company, according to that statement, at the present time?—A. Now, you want me to go into all the figures.

Q. No, I want you to give me the stock that has been issued, and what is outstanding?—A. Now, what is it that you want, what covers that stock?

Q. What stock was issued in 1931. What have you got shown as outstanding there?—A. Capital stock authorized preferred 14,124, 7 per cent cumulative

redeemable shares having a par value of $25 each; common 10,000 shares no par value, issued before 6,124 at $25 each, common 10,000 shares no par value, issued at $5 per share; making $203,100.

Q. According to that statement, there has been issued 6,124 shares of preferred stock?—A. 6,124 shares of $25 each.

Q. You see how impossible a position that put us in, in view of the statements which you have been giving us right along?—A. I am simply giving you the facts as I have them in the auditor's statement.

Q. A moment ago you said there were 14,124 preferred shares with a value of $25 each issued. Now, you have just told us 6,124.—A. Supplementary letters patent were obtained. I will read over the same thing again. I cannot do anything better than that. You can twist those figures just as exactly as you desire, but the facts are right here.

Q. Pardon me; I am not twisting any figures. I am giving the figures exactly as you have quoted them, because I have made a note of them.—A. Exactly.

Q. You said a moment ago, and I think the committee will bear me out on it, that there were 14,124 shares issued?—A. Yes.

Q. Now you tell us according to the financial statement there is 6,124. Which is right, Mr. Cousins?—A. Well, you see—yes, but you understand this, 1,469 preferred shares were of a par value of $100, and those shares are $25—there are 6,124 shares of $25 each.

Q. I am aware of that. We have had that a dozen times.—A. Yes. What more is it you want?

Q. I want to know which is right, how many preference shares are there outstanding, 14,124, as you told us a minute ago, or 6,124?—A. Here is the latest statement, 1931: issued preferred, 6,124 shares at $25 each, and 10,000 shares of common, no par value, issued at $5 per share. Those are the exact figures.

The CHAIRMAN: Mr. Bowman, if you will look at page 147—

Mr. BOWMAN: I have it marked here. I have that in my hand. 6,124 shares of no par value were issued. Mr. Chairman, I have been trying to get for the benefit of the committee, each step in the financial set-up of this company, so that we would know what was done. I am sorry to say that is a rather hopeless task with the witness.

The CHAIRMAN: I think, unless the answers are clearer, we will have to send an auditor in and find out what the real financial set-up of the company is.

The WITNESS: I would welcome your doing that, sir; very, very, pleased to have you send an auditor in.

The CHAIRMAN: You have not given satisfactory answers so far.

Mr. BOWMAN: Frankly, the witness has given so many contradictory statements that I have not the slightest idea what the financial set-up of the company is, and I don't know whether any member of the committee has.

The WITNESS: The financial set-up of the company, as I have just explained to you in 1931, which is the last audited account, and 1932 is a replica of it; you can't call that unsatisfactory. You have the figures right there, and that is right up to date. I don't see that you can call that unsatisfactory. You have the figures, and audited by one of the best auditors in the city of Montreal.

Mr. MULLINS: Who is the auditor?

By Mr. Bowman:

Q. You told us in 1914 your company was roughly valued at $125,000?—A. Exactly.

Q. Is it of no more value to-day?—A. Yes, it is worth half a million dollars to-day.

Q. Yes, it is worth half a million dollars to-day?—A. Yes.

Q. And at page 147 your son says it is worth $153,100, and that is the statement you have just given us now. If you can explain it, we will be glad to have it explained.—A. I can't be responsible for what my son said.

Q. But your son has said exactly what you said a moment ago?—A. Exactly.

Q. That there is 6,124 shares of preferred stock——A. Yes, I know.

Q. —outstanding?—A. But you said: Is your company worth less to-day, and I say no, it is worth half a million dollars to-day.

Q. Yes. In other words, those preference shares of the par value of $25 are now worth about $75 or $100?—A. Absolutely, without the shadow of a doubt.

Q. Without the shadow of a doubt?—A. Yes.

Q. Then we can take it for granted——A. Yes.

Q. —that the capital value of this company has increased until now it is worth half a million dollars?—A. Exactly.

Q. Yes?—A. As a matter of fact, might I interject that I would not sell my business for a half a million dollars to-day.

Q. All right; and still your financial set-up remains at $153,100?—A. That may be so. That has nothing to do with it.

Q. What is the actual cash put into this business?—A. When do you mean? In 1888?

Q. No, in 1925, say?—A. $113,000—that is the shareholders put in $113,425.

Q. Yes; what would you roughly value your plant at to-day?—A. Well, I will give you the whole values here, if you so desire.

Q. Let us have them?—A. I have the whole thing here.

Q. Perhaps that will be the best way to get at it?—A. Yes. Do you want the fixed assets?

Q. Yes, give me the total?—A. The total—the book value with depreciation is $186,604.70. The cost of that was $282,415.24.

Q. What is that figure, that last figure?—A. $282,415.24.

Q. What does that represent?—A. What does that represent?

Q. Yes, what is that? I didn't quite hear what you said that was.—A. That represents real estate, buildings, machinery, equipment, and delivery equipment.

Q. Yes; what are total assets of the company as from that memorandum which you have, which, Mr. Chairman, I would ask be placed in the record.—A. The cost was $282,415.24. Reserve for depreciation brings it down to $186,604.70.

Q. Do you mean that is the total assets, the gross assets, $186,000 odd?—A. Well, $282,415.24—of course you understand that dairying machinery depreciates very rapidly. The lactic acid in milk just eats your machinery up, so that there is a wide spread in depreciation. We have put it down, the present book value, to $186,604.70.

Q. This company which you say is worth over half a million dollars is set up at a book value of $186,000 odd?—A. Exactly.

By the Chairman:

Q. That represents good will, the balance, I suppose?—A. You can put it what you like, Mr. Senn, but that is the real value of everything, without any good will or anything else.

By Mr. Bowman:

Q. Just a minute now, Mr. Cousins; you said a little while ago to this committee that good will was not valued by your company?—A. We have not—you see there there is no good will.

Q. Just a minute; is there any item in that statement with respect to good will?—A. No item whatever.

Q. Well, you have changed your system of accounting since 1927, have you?—A. Possibly, yes; we have got a better bookkeeper.

Q. I have before me a memorandum from your company, a financial statement showing 1926 and 1927, and in this statement the good will is shown as worth $70,241.75?—A. Yes.

Q. Is that right?—A. Yes.

Q. That is correct?—A. Yes.

Q. What is the good will value of that at the present time?—A. We have no good will there.

Q. I see.—A. None whatever.

Q. Good will has been wiped off?—A. If you will kindly allow me to read this—

Q. Has good will been wiped off?—A. Exactly.

Q. It has?—A. Good will was never charged up on the book values.

Q. But it is shown?—A. It may have been in 1927, yes.

Q. Yes?—A. But we have altered.

Q. And in 1926?—A. Sure, possibly; in 1925 possibly.

Q. So that at some stage in the history of your business— —A. We wiped it right off.

Q. —there has been good will?—A. Yes; possibly, yes.

Q. You said a little while ago that there is no value for good will?—A. There is none, none whatever. I am giving you the exact value of everything I have right here.

Mr. Bowman: Well, I ask that the statement be put on the record, Mr. Chairman.

The Chairman: Yes.

By the Chairman:

Q. You will submit that to the clerk?—A. Yes.

By Mr. Bowman:

Q. What was your real property valued at in 1931?—A. Real estate, $29,999.50.

Q. Equipment and plant?—A. Buildings, $88,490.32; machinery and equipment, $107,978.37; delivery equipment, $55,954.05.

Q. What does that make?—A. Making a total of $282,415.24.

Q. What do you take off annually for depreciation?—A. We have taken—there is no depreciation on real estate.

Q. On machinery and equipment?—A. On buildings there is depreciation of $12,871.79.

Q. What percentage is that?—A. That would be about eight per cent—no, seven per cent, a little over; seven and a fraction.

Q. What do you value your buildings at?—A. The buildings we valued at $88,490.32.

Q. And depreciation on those buildings?—A. $12,871.79.

Q. That is about 15 per cent, is it not?—A. No.

Q. It is not very far from it; I am just figuring roughly; it is about 14 per cent.

The Chairman: Yes, it is all of that.

By Mr. Bowman:

Q. Well, say 12 per cent. What is your machinery—A. It would not be 12 per cent.

Q. We have what your machinery was valued at?—A. Machinery and equipment, $107,978.37.

Q. What depreciation do you take off that?—A. $48,917.46.

Q. $48,000?—A. $48,917.46.

Q. One year?—A. In one year.

Q. Do you mean to say that you charge up depreciation of 50 per cent on your machinery and equipment?—A. The more depreciation you charge up, the better for everybody concerned.

Q. Particularly the company?—A. No, the company does not benefit anything.

Q. Now, have you any accounts set up for depreciation in your books?—A. Oh, yes.

Q. At 1931, what was standing to the credit of your depreciation account?—A. Now, I might say in 1931 we had all this property and everything connected with it appraised by an appraisal company in Montreal.

Q. And you can give us that, the result of the appraisal?—A. Here we have it; this is 1931—

Q. Well, please, Mr. Cousins, don't go off on a tangent.—A. I am not going off on a tangent.

Q. I am asking about depreciation; you have already given us the appraisal value?—A. I can tell you the depreciation right here, office furniture and fixtures less depreciation—

Q. What is your depreciation account; you have a depreciation account in your business?—A. Yes.

Q. How does it stand in 1931; what reserve have you set aside for depreciation?—A. $87,507.44.

Q. $87,000 odd, is that correct?—A. Yes.

Q. So that you have already set aside in your company an amount almost equal to 100 per cent of the value of your machinery and equipment?—A. It has depreciated to that extent.

Q. Yes?—A. And we have replaced it by new machinery continually.

Q. Quite true; and your plant is an up to date plant?—A. The most up to date in the city of Montreal.

Q. Yes; and having that most up to date plant in the city of Montreal you have an account setting aside a reserve equal to almost the value of that plant?—A. Well, it is written off as depreciation.

Q. All right. What other accounts have you set up? What other reserve have you set up in your business?—A. We have no other reserve.

Q. No reserve for bad debts?—A. Well, the bad debts are written off.

By the Chairman:

Q. Written off annually?—A. Profit and loss account, balance at the first of January, 1931, $5,584.48, to which add the profit for the year ending 31st December, 1931, $18,825.30.

By Mr. Bowman:

Q. You see, Mr. Cousins, you have not answered my question at all. I am asking you what reserve account have you set up for bad debts?—A. We have no reserve account. We simply wipe them off.

Q. What was your reserve for bad debts in 1931?—A. Bad and doubtful debts, $19,401.39.

Q. All right; what do you do with that $19,000?—A. It is lost.

Q. You say you wiped it off?—A. It is gone in bad debts.

Q. But that is your reserve for that year?—A. No, that is the bad and doubtful debts that are wiped off.

Q. How is it marked in your records; what does it show?—A. Bad and doubtful debts, $19,401.29.

Q. And you told this committee that that is the actual amount——A. Lost.

Q. —lost?—A. Yes.

Q. In bad debts and doubtful accounts?—A. Exactly.

Q. All right; so that you don't set up any depreciation account for bad debts?—A. We don't. We simply set up a depreciation account for machinery, delivery equipment and building.

Q. And you have no other depreciation account?—A. We have none; none whatsoever.

Q. None whatsoever?—A. No.

Q. Have you any other reserve set up?—A. No, we have no other reserve whatever.

Q. Now, I want you to consider that question again, Mr. Cousins. You say you have no account set up for reserve?—A. Everything is wiped off.

Q. Well, what do you do with the money you have left over after the year is done?

Mr. PICKEL: Bank it.

The WITNESS: If there is any money left over, it goes out in dividends.

By Mr. Bowman:

Q. If there is any money left over, it goes out in dividends?—A. Yes.

Q. Every cent of it?—A. Every cent of it.

Q. So that at the end of each year you clean the slate and pay off all the money you have left?—A. Well, of course you appreciate this fact, that a man always has to carry a certain balance in the bank or he could not continue his business.

Q. That is the point.—A. We may have twenty, or thirty or forty thousand dollars in the bank continually. You must appreciate this fact, that we pay our farmers twice per month; we collect possibly once every three months. The farmer's account may run into—

Q. I think all the committee know that?—A. Well, you simply asked—

Q. No, I did not; I asked you what amount you set up as a reserve.—A. We don't set up any amount whatever for reserve.

Q. None?—A. None whatever.

Q. When the year's business is over, you pay up practically everything you get in, for dividends, and carryon?—A. Exactly; except what we have to carry forward in payment of our just debts, and looking after the farmer, which may amount to possibly about $50,000.

Q. May I ask you if you have made a mistake in giving this answer to the committee, will you notify the Chairman to that effect, and give him the amount that actually is set up in your reserve account?—A. Most decidedly I will.

Q. Because I cannot understand an up to date company like yours apparently is, not carrying a certain amount of reserve?—A. I will tell you, as I said before, we possibly have $50,000 in the bank; you can't call that reserve because it is there to take care of our debts.

Q. The dividends that are shown paid—

By the Chairman:

Q. Just a minute; is this account in the bank your regular business account or what is it?—A. It is a regular business account.

Q. It is not an account for reserve or depreciation?—A. No, it is a regular business account.

Q. All right.

By Mr. Bowman:

Q. At the top of page 142, if you would refer to that for a moment, there is a memo given there by your son when he was before the committee, as to the disposition of profits by way of dividend. Will you explain that statement a little to us? In the first place, there is noted on the side 75 shareholders.—A. What do you desire to know?

Q. Seventy-five shareholders; is that the total number of shareholders in the company?—A. Evidently, or it would not be so entered.

Q. Well, it does not show that; that does not necessarily follow because your son put down 75 shareholders?—A. I know, but there may be seventy-six or there be seventy-eight, I am not quite sure.

Q. No, but that is the approximate number of shareholders?—A. It is the approximate number of shareholders.

Q. And I would say, roughly speaking, I suppose you and your family control the company pretty well?—A. Yes, I control it myself.

Q. You control it yourself?—A. Yes.

Q. The number of outside shareholders is small?—A. Exactly.

Q. Yes; now, the amount there shown as of April 15, 1931, $2,678.89, and a similar amount is shown each four months period thereafter?—A. Yes.

Q. That is seven per cent on preference stock?—A. Exactly.

Q. And those amounts have been paid in 1931 and 1932, in addition to the increased capitalization about which you have given us—.—A. The stock dividend.

Q. In addition to the stock dividend?—A. Exactly.

Q. And when your son said that 1921 to 1930 dividends were nil, he was a little in error there?—A. No; he may have been right; I would not like to say.

Q. You have just told us he was wrong, because you say there was a stock dividend at that time.—A. Well, he hadn't taken that into consideration.

Q. Well, he may be more or less in error?—A. Possibly, yes; he is a very young man, and liable to make error.

Q. Oh, well, we are all liable to do that.

Mr. Mullins: He draws $5,000 a year, he says.

The Witness: And he is worth it; twice as much.

By Mr. Bowman:

Q. 1921 to 1930; what stock dividends were issued say in 1930; can you give us a record of that?—A. I already gave you that amount. There is only this one issued in 1928 when the company was reorganized.

Q. When two shares of common stock were given as a bonus?—A. Exactly.

Q. Yes; and by the way, Mr. Cousins, what do you figure the value of this common stock is at the present time?—A. Well, you quite appreciate the fact that I hold myself all the common stock; and while the business or my own particular business, as I just told you, is worth half a million dollars, we have never paid dividends on the common stock, which is detrimental to myself, because unless you can earn dividends on your common stock, the holders get nothing, and I hold the major portion of it, so I get no dividends; but it is really worth at the present time possibly $20 a share.

Q. $20 a share?—A. Yes.

Q. Let us consider that for a moment; you have outstanding 6,124 shares of preference stock valued at $153,100?—A. Exactly.

Q. And you yourself at a conservative valuation value the company at half a million dollars?—A. Exactly.

Q. In other words, there is a difference of approximately $350,000?—A. Surely.

Q. And that is the value of the common stock that has been issued, is it not? —A. You can put it in that light, if you so desire.

Q. Well, how would you put it?—A. I would say the same thing.

Q. You would say the same thing?—A. Yes.

Q. Taking it at a very rough estimate, Mr. Cousins, the value of your common stock at the present time, taking the conservative estimate which you have placed on the company, would not be $20, but would be $60 a share.—A. Well, I would not say it was worth that.

Q. Well, I am just taking your figures; $350,000 and dividing it by 6,124; just let me see—probably I am wrong in my figuring. You have taken then 10,000 shares, is it?—A. Yes, it is 10,000 shares.

Q. I am wrong; I took 6,000. There would be a difference in the figuring; that would be $35 a share?—A. Yes.

Q. Yes; in other words, the common stock to-day at that valuation is worth more than the preferred stock?—A. Possibly.

Q. Yes.—A. But you must appreciate this fact also, it is not what it is worth; it is what you can get for it.

Q. Let me go back now, and let me go back to 1928; when you made the reorganization of the company in 1928 and you gave a bonus of two shares of common stock, you really gave to your shareholders something that was worth something?—A. Most decidedly.

Q. So that when you say between 1921 and 1931 you did not pay any dividends, that is just a joke, is it not?—A. Well, you can take it as a joke, if you so desire.

Q. Because in 1928, when these two shares of common stock were issued to every one who had one share, you were issuing something that was worth between $50 and $60 a share at that time, allowing for reasonable increase in value at the present moment?—A. Well, I would not say $60 or $50, but I say it was—

Q. Two shares I am talking about.—A. Yes. It was worth all that was coming to them, including myself.

Q. Yes; and of those 10,000 shares, you say you hold the greater proportion? —A. Yes, I hold the major portion.

Q. Let us see—I don't want to pry into your private business at all, but would you give me a rough estimate of what portion of those ten thousand shares belong to you?—A. I could not tell you that right off.

Q. No idea?—A. No, I have not the faintest idea.

Q. Now, Mr. Cousins, you have not the faintest idea?—A. I have not the faintest idea.

Q. You mean you are the majority shareholder of this company and have not the slightest idea—A. Well—

Q. —of what portion of this 10,000 shares belong to you?—A. Well, possibly I have 75 per cent of them.

Q. 75 per cent; let us take it on that basis?—A. Mind, I am not giving you that as exact figures, but tentative figures.

Q. Yes; you have 75 per cent; or in other words you have approximately 7,500 shares?—A. Somewhere in that neighbourhood.

Q. Yes. Now for one of those shares you had in the first instance, you got a bonus of two more in 1928?—A. Exactly.

Q. In other words, you got a bonus of 50,000 shares?—A. Possibly—no, no.

Q. 500,000 shares?—A. No.

Q. Well, all right.—A. Oh, no, no—5,000.

Q. 5,000?—A. 5,000 shares.

Q. You got a bonus of 5,000 shares?—A. Possibly, yes. Possibly I didn't take them.

Q. But your by-law shows you did. Well, they were issued to everybody. I read you the statement.—A. That is right.

Q. All right; in other words, you got a bonus of 5,000 shares of the no-par value common stock of this company which to-day you figure is worth according to your estimate, $20, but according to what I have figured out, is $35?—A. Yes.

Q. In other words, you got a bonus of $175,000?—A. Well, provided I did—

Q. I am taking your own figures.—A. I didn't say I got that bonus and I don't say it yet.

Q. Did you?—A. Well, I will tell you what I will do—

Q. Never mind what you will do; I am asking you what you did, not what you will do.—A. To the Chairman I will send to-morrow the exact number of common shares that I own in my own name.

Q. We don't want that.—A. Oh, yes, that is what you were trying to find out.

Q. You said approximately 7,500 shares?—A. I said approximately about 70 per cent of the common stock.

The CHAIRMAN: Seventy-five.

By Mr. Bowman:

Q. 75 per cent you said?—A. Well, possibly 75.

Q. And as I point out, 5,000 of those shares came to you in 1928 on the reorganization as a bonus?—A. You said so.

Q. On the same basis as all the shareholders were given?—A. Yes.

Q. In other words, you took unto yourself in 1928 something that was worth $175,000, according to your calculations?—A. According to your statement. I didn't say so.

Q. All right. I am just taking your figures.—A. That stock may still be in the treasury.

The CHAIRMAN: Well, Mr. Cousins—

Mr. BOWMAN: You ought to know.

The WITNESS: Mr. Senn, I will send you up to-morrow the exact number of those common shares held by myself. I have not that here.

The CHAIRMAN: I want the number.

By Mr. Bowman:

Q. And to the same extent every other shareholder shared according to the number of common shares and preferred shares he had?—A. Yes, exactly.

Q. Just on the same basis as you did?—A. Surely.

Q. So that it really would pay a pretty substantial dividend in 1928?—A. They should be satisfied.

Q. Yes; in other words, out of this company which you say is worth half a million dollars, you personally in 1928 by stock dividend received almost $33\frac{1}{3}$ per cent on the value of your $175,000, is that correct?—A. I didn't say so.

Q. Well, is it correct?—A. I will send you the exact figures to-morrow.

Q. Am I approximately right there?—A. Yes, possibly you are.

Q. All right.

The CHAIRMAN: Are there any other questions?

By Mr. Tummon:

Q. Mr. Cousins, when your son was here the other day, he promised to get certain information that I asked him for at that time, which he said he

had not. Can you give to-day the number of pounds of fluid milk that were purchased by your company in 1932?—A. Milk purchased in 1931—milk purchased in 1932, 1,894,000 gallons.

Q. 1,894,000 gallons?—A. Yes.

Q. You have not it in pounds?—A. Oh well, you can multiply that by 10 if you so desire.

Q. Yes; there are 10 pounds of milk to a gallon, are there?—A. 10 pounds, 3½ ounces.

Mr. Mullins: Approximately 10 pounds.

By Mr. Tummon:

Q. How is that milk purchased? Was it purchased by the 100 pounds?—A. Yes, it is all purchased by weight.

Q. A certain amount of it was purchased at the association price, I presume?—A. The average association price $1.46 per hundred.

Q. For 1932?—A. For 1932.

Q. $1.46?—A. That was the average association price.

Q. That you paid?—A. No; the average price paid by us was $1.30.

Q. That is what I want. $1.30 average per hundred pounds?—A. Exactly.

Q. That was less transportation charges to the producer?—A. No; we have nothing to do with the transportation charges whatever; that is up to the farmer.

Q. Yes, I know.—A. Some of them drive it in, and there is practically no transportation charge except for your truck.

Q. Well, that was the price to the producer, and the producer looked after the transportation charges?—A. Exactly.

Q. What per cent of your total milk purchases in the year 1932 was purchased at surplus prices?—A. What percentage?

Q. What percentage of your total purchases of fluid milk?—A. Now, in 1932 they were—I have not got the exact percentage here, but you can work that out if you so desire. The average association price for the year, $1.46 per hundred pounds and the price paid by us for all milk received for the year, $1.30, surplus for the year, 23·2 per cent.

Q. How are we going to work out the percentage of your purchases at a certain price by that?—A. Well, there you have it. The price paid by us for all milk received in the year averaged $1.30.

Q. Just a minute, let us get clear on that; in answer to my question of what percentage was paid for at association prices you said $1.30?—A. That included the surplus milk.

Q. That included the surplus milk?—A. Yes; that was the price paid by us including the association price and the price of the surplus milk.

Q. Oh, I see. I misunderstood you then. I thought that was what was paid for other than surplus milk?—A. No.

Q. You have not there what percentage was purchased at surplus prices?—A. Yes, the surplus was 23·2 per cent.

Q. The total purchased at surplus prices?—A. The total purchased for 1932. The surplus of the whole was 23·2 per cent; that is not quite a quarter.

Q. When your son was here the other day, Mr. Cousins, we showed him a statement from your company where the total amount of surplus milk paid for in this statement was over fifty per cent?—A. No.

Q. We did not.—A. I do not know what he showed you, but those are the figures from the auditor.

Q. I do not know whether the secretary has that statement or not, have you Mr. Fraser?—A. I have a copy of it here.

Mr. Donnelly: At page 144.

The WITNESS: Yes; he says here the quantity was approximately 50-50, but he was wrong. The percentage has been worked out since, so that we would be sure of our figures.

By Mr. Tummon:

Q. Well, Mr. Cousins, I hold in my hand a statement that I showed him, and it runs from 1931 to 1932. Have you the amount, or the percentage of the whole of the surplus milk purchased in 1931?—A. 29·8 per cent.

Q. In 1931?—A. In 1931 the surplus for that year was 29·8 per cent.

Q. Not for the year 1929-30?—A. It is 1931. The average association price for the year; that is, the whole of the year, was $1.90 per hundred pounds. The price paid by us for all milk received by us in that year was $1.50, and the surplus for the year 29·8.

Q. That is the surplus, the percentage of the surplus in relation to the total amount of fluid milk that you purchased in that year.—A. In 1931, yes.

Q. Well, I hold in my hand here a statement, sold to the Ernest Cousins Limited, Montreal, Quebec, from evidently one of the producers and in the month of March of that year he tells us—

The CHAIRMAN: What year?

Mr. TUMMON: 1931.

By Mr. Tummon:

Q. He tells us that he delivered 6,760 pounds of milk and of that 3,380 pounds were paid for at association prices, and exactly 3,380 pounds were paid for at surplus prices.—A. Yes; well possibly that farmer only had milk as many other farmers do have it, when we do not want it. At the present day I may tell you, last November, when milk was very scarce, we asked producers to produce more. That was done. To-day they are producing almost twice as much. I stopped last week 200 cans per day, and I do not know what the farmers will do with it, and we separated yesterday 280 cans of milk. Our business has increased possibly 20 per cent since 1931.

Q. Then, your evidence is that in cases where this appears, they are exceptional cases in regard to surplus milk.—A. There are the facts. Take the average, the surplus was 29·8 per cent

By Mr. Donnelly:

Q. What year?—A. In 1931. That was the question the gentleman asked me.

By Mr. Tummon:

Q. Now, will you give us again the percentage of surplus milk in 1932?—A. It amounted to 23·2 per cent.

Q. Now, how did you dispose of the association price milk?—A. It was sold in the usual manner.

Q. Fluid milk distribution?—A. Fluid milk. About 80 per cent of it is sold at wholesale, and about 20 per cent is sold retail.

Q. Can you give us the average price per quart in 1932?—A. Yes, I have that.

Q. Of milk sold?—A. Thirty-nine cents—that is in 1931, do you want 1931?

Q. Give us 1932.—A. All right. Purchased 1,894,000 gallons; milk sold, average retail price, 40 cents per gallon, average wholesale price 24½ cents.

Q. How much did you distribute per quart, the average selling price per quart in 1932?—A. The total sales, wholesale, 89.7, and retail, 10.3.

Q. That is not answering my question.—A. I cannot give you any other.

Q. Your son promised to have that information when he came back.—A. You want the number of bottles?

Q. I want the average selling price per quart to the consumer for the year 1932.—A. I have that here somewhere. No, I have not the average price.

Q. You have not the average selling price?—A. You mean the retail?

Q. Yes.—A. Or the wholesale?

Q. No, the retail, the average selling price per quart at which you disposed of the fluid milk that was bought at association prices.—A. No, I have not the average price sold to the retailer.

Q. Can you tell the committee what the average spread was between your cost price per quart and your selling price per quart.—A. In 1931 it was 47 per cent.

Q. Per quart, I mean.—A. Yes, it would be about—

The CHAIRMAN: We want you to be exact.

The WITNESS: Well, it would be .47, not quite half a cent.

By the Chairman:

Q. .47?—A. Yes, not quite half a cent.

By Mr. Tummon:

Q. What is that?—A. The net profit. You are trying to get net profit?

Q. No, I want the spread between the cost price per quart and the average selling price per quart.—A. The spread is 47 per cent.

Q. How much?—A. 47 per cent.

Q. You have not got it per quart?—A. I have not got it per quart; it amounts to a little less than half a cent.

Q. That is your profit; that is not the spread.—A. Wait a moment.

The CHAIRMAN: While he is looking for that, gentlemen, I should like to ask Mr. Stirling to take the chair, as I have to go right away.

(Mr. Stirling takes the Chair.)

Mr. TUMMON: I understand Mr. Senn has just received word that his wife's brother has died. We are very sorry that Mr. Senn has to go away under those conditions.

The WITNESS: The spread per quart is what you want?

By Mr. Tummon:

Q. Yes.—A. It would be in the neighbourhood of four cents.

Q. There is no use guessing. What we want are the actual figures which your son promised. He said he would have the information.—A. Well, he did not give me that information or the bookkeeper did not.

Q. If you have not got that information, I am no further ahead with this question that I was when your son was here before. What did you do with the surplus milk, Mr. Cousins?—A. Surplus milk?

Q. Yes.—A. Some of it was separated; the major portion of it was separated, and some of it was used to meet poor competition, low priced competition.

Q. Some of it went into fluid milk?—A. Some of it went into fluid milk.

Q. Some of it purchased at surplus prices went into fluid milk and sold at the usual prices?—A. No.

Q. It went into the price that made your average price per quart, then?—A. Yes, exactly.

Q. You cannot give us, I presume, the average price in regard to that either?—A. You mean the average selling price?

Q. Yes. You said that you separated considerable of it.—A. Yes.

Q. And sold it as what?—A. Cream.

Q. Sweet cream?—A. Yes.

Q. Did you buy any other sweet cream?—A. Yes.

Q. Have you the quantity of sweet cream that you bought?—A. Yes—no I have not the amount of cream purchased.

Q. You have not the amount of cream purchased at all?—A. No.

Q. You have not the amount of the number of pounds of sweet cream purchased?—A. No, I have not.

Q. Or the pounds of butter fat?—A. No.

Q. I am no further ahead, Mr. Chairman, than I was before. I want that information though.—A. One moment, Mr. Chairman. The price paid—we do not compel the farmer to send his surplus milk to us. As a matter of fact, we often stop it, as I said just now; we stopped 200 cans last week, and we separated yesterday 250 cans. Now, I want to show you the disparity between what the farmer does with his milk, if he takes the milk to the butter factory under present existing prices, 100 pounds of butter contains, as you know, 84 pounds of butter fat and 10 per cent of moisture; but also contained in that 84 pounds of butter fat is from 3·36 to 4 pounds of salt; per hundred pounds of butter we pay the farmer $1.01 as against milk sent to the factory of 63 cents, and you add 25 cents for carrying charges and that gives him 88 cents, and we pay him $1.01. We do not compel the farmer to send his surplus milk to us, but he will insist in sending it, because he gets a better price for it.

Mr. Tummon: I want that information, Mr. Chairman, and I am asking for it; they promised to get it.

By Mr. Pickel:

Q. Mr. Cousins, in your figures for depreciation, I think you acknowledged some $80,000?—A. Yes, I have that here.

Q. Well now, in the statement that your son made the other day, we find as depreciation for machinery, $15,000, delivery equipment, $7,000, buildings, $2,000. How do you reconcile those two statements?—A. Well, he possibly did not have the figures here. What year was that for?

Q. 1932.—A. Well, I have the depreciation here for 1931 and 1932—oh no, I have not got that.

Q. Why is that discrepancy there? Do you not think $80,000 is pretty high depreciation?—A. No, not on dairy machinery. For instance—

Q. You do not have to replace every year or every two years?—A. Oh, yes, a lot of it you do. It becomes absolete at once. The lactic acid in milk simply tears it all to pieces.

Q. How much did you distribute in 1932?—A. I have not those figures here.

Q. You have not?—A. No, I have not the amount of cream.

Q. You will give them to the Chairman?—A. Yes, I will send them up with the other information required.

Q. Can you tell us what percentage of your surplus milk you separate?—A. Yes, separate possibly 70 per cent of it.

Q. Seventy per cent?—A. Yes.

Q. Mr. Cousins, how do you sell your cream?—A. By its butter fat content.

Q. In what grades do you sell?—A. We sell it in 15, 20, 25, 35.

Q. What are the prices?—A. What are the prices?

Q. Yes.—A. It runs about 6 cents a point.

Q. You sell in half pints?—A. Yes.

Q. For 15 per cent butter fat, you get how much?—A. That would be 90 cents a gallon.

By Mr. Moore:

Q. How much for a half pint?—A. Oh, the same thing, it all depends.

By Mr. Pickel:

Q. For the 20 per cent?—A. The same thing applies. We charge—

Q. How much do you get for the half pint of 15 per cent cream?—A. How much do we get for it?

Q. Yes.—A. It all depends. In the winter time and the summer time it is in a different category.

Q. You are evading the question.—A. No, I am not.

Q. How much do you sell 15 for in half pint sizes?—A. Fifteen cents.

Q. Twenty per cent cream?—A. Twenty cents.

Q. Twenty-five per cent?—A. Twenty-five cents.

Q. Thirty-five?—A. Thirty-five per cent?

Q. Yes.—A. Thirty-five per cent runs about 35 cents.

Q. For a half pint?—A. No, for a pint.

Q. Give us the half pint.—A. Is it a half pint you want?

Q. Yes, that is what I thought you were giving. Were those figures for a half pint or a pint?—A. I don't know just exactly, what they are for.

Q. How much did you sell your 15 per cent cream for?—A. It depends on the time. If it was 90 cents a gallon, and eight pints to a gallon—

Q. How much do you sell it for? How much do you sell it for to your customers? How much do you ask for a pint of 15 per cent cream?—A. Wholesale or retail?

Q. The average.—A. It is 12½ cents.

Q. Twenty per cent?—A. That would be about 20 cents.

Q. Then, those are the figures you gave me before, and they were for pints, instead of half pints?—A. Exactly.

Q. Now, is it not a fact, Mr. Cousins, that there is a good deal more money in the cream trade than in the milk trade?—A. Oh yes, because there is a greater loss in it.

Q. And you have purchased 70 per cent of surplus milk?—A. Exactly.

Q. And you are selling it for sweet cream?—A. Yes, that is true, but you see the skim milk goes down the drain.

Q. It is all lost?—A. It is all lost, unfortunately.

Q. All that skim milk is lost?—A. Unfortunately, yes.

An Hon. MEMBER: Don't you send it back to the farmer to feed hogs? It is not all lost.—A. If the farmer likes to pay costs, we would be very pleased to send it back.

By Mr. Pickel:

Q. Now, as regards dividends, I have a letter here that I would like to read to you from one of your stockholders:

> Incidentally, it may help the poor fish who bought the Ernest Cousins Limited stock, six years ago and have only received two quarterly dividends.
>
> In 1931, I wrote Mr. Cousins and received no answer. Then I asked the Montreal Star for information regarding Mr. Cousins milk business. Mr. Whitrod interviewed Mr. Cousins after which Mr. Cousins wrote me they would commence paying dividends January 14, 1932, which he did, also on April 14, 1932, seven per cent on $1,250. That was our first and last.
>
> I again wrote Mr. Cousins on December, 1932, no reply. Again I wrote the Montreal Star after a month; Mr. Whitrod wrote me he had not been able to get in touch with Mr. Cousins, but would as soon as possible.
>
> If Mr. Cousins has paid other dividends, they must be more dead stock on paper, certainly not cash.

What have you to say to that, Mr. Cousins?—A. I don't know in the first instance, who wrote the letter—

Q. I do not know that it would do any harm, but I am not going to tell you the name.—A. It does not make any difference, but if any letters come into our office—

Q. I do not think he is a milk shipper, I do not know, but he does not say so.—A. I have not the faintest idea, but here is a report of the dividends paid, apart from the stock dividends. In April we paid $2,678.89; in July we paid $2,678.89; in October we paid $2,678; in January, 1932, we paid the same, and so forth.

Q. Mr. Cousins—.—A. If the lady did not get her dividends, there must be something wrong.

Q. —it is Mrs. Ellen Payne Boyd of 36 City Ave., Granby.—A. Yes.

Q. How is it she did not get her dividends?—A. I have not the faintest idea, but I will take the matter up. If the dividends were paid at that time, she received or—this is George Payne's daughter, is it?

Mr. TETREAULT: She is his sister. Her cheque was mislaid somewhere.

The WITNESS: I wonder if you will be kind enough to let me have that letter.

Hon. MEMBERS: No, no.

The WITNESS: There is no animus against it. If the lady has not received her dividends it has gone astray, because dividend cheques have gone out.

By Mr. Bowman:

Q. Give him the address.—A. I know them well; I know Colonel Payne and his sister well.

By Mr. Pickel:

Q. Who are the directors of your company?—A. Reynolds.

Q. Reynolds from where?—A. From Granby, Andy Cordner, N. Cohen, Fred Cleary—I am not quite sure—of course, myself and my son are on the board, and I do not know what others there are.

Q. How often do you meet?—A. At the call of the Chairman.

Q. How often does the Chairman call them?—A. About once every three months.

Q. Do they attend every three months?—A. Some of them do, some of them don't.

Q. You own how much of the stock?—A. You mean the company's stock?

Q. The Ernest Cousins Company.—A. We have gone through that, that gentleman has those figures.

Q. You can just repeat it.—A. About 70 per cent of the company's stock.

Q. What percentage of the preferred?—A. I have not that figure in my mind, but I will let you have it.

Q. Send them up?—A. Yes.

Q. Mr. Cousins, is there any reason why the farmer should be penalized for surplus milk, the surplus milk you get when you get that milk and sell it for sweet cream, getting a good deal higher percentage on the transaction than you would on whole milk?—A. On the basis of which?

Q. Or is it just a means of getting something for nothing?—A. No, we ask nothing from the farmer. He has the privilege of sending his milk to the butter factory, where he gets far less.

Q. That does not get us anywhere. I have two or three milk returns here, and I notice in January that the—.—A. Yes.

Q. Do you regulate your test by the price you pay?—A. Yes.

Q. You regulate your test or percentage—.—A. No, we buy all milk at 3.5.

Q. That is the standard?—A. Yes, and I might raise a very moot point here. I have here a compendium of all the tests for a year, and I might say here that most of our milk is Holstein milk, which I think is a more wholesome milk than that derived from any other cattle; it is all right to the point, and this milk averages 3.4, 3.4, 3.3, 3.3, 3.4, 3.3, 3.3 3.3, 3.2, 3.4, 3.2, 3.4, 3.4, 3.4, 3.6, 4., 3.5, and so right the way through the dates. Now, the milk which we put out, I have here certificates from Dr. Donald, containing bacteria counts, and butter fat—

Q. All right, Mr. Cousins.—A. The milk we put out runs 3.8 and as high as 4, 3.6, 3.6, 3.8, 3.8, 3.7, 3.8.

Q. Excuse me, this is the milk you distributed?—A. Yes, that is the milk we distributed.

Q. The milk you received does not average 3.5?—A. No, some of it, no.

Q. How do you increase it, then?—A. Why, we simply add cream to make good milk out of it.

By Mr. Spotton:

Q. Mr. Chairman, I would suggest, as we have another witness here, and since the memory of the present witness is so poor, and since he has not a decided definite statement to make from his own knowledge, but falls back on the auditor's report, we are getting nowhere, we are wasting time. I would suggest that the committee relieve this witness for the present, and the sub-committee use its discretion in recalling him again, and bringing his auditor with him. The son was too young, and I am afraid the father is too old; his memory is failing.—A. Possibly, yes.

Q. You may be a milk baron in Montreal, but you are a common, ordinary private citizen as a witness before this committee.—A. Yes, sir.

Q. You have not helped your case this morning.—A. It is perfectly all right.

Q. I would move, Mr. Chairman, that you relieve this witness temporarily, and the sub-committee use its discretion about recalling him, and bringing somebody with him who knows something, and who is not a sidestepper, and that we go on with the next witness.

Mr. BERTRAND: I second that motion, Mr. Chairman.

The ACTING CHAIRMAN: It is in the hands of the committee. I should not like to prevent any members of the committee from asking any questions they desire to ask now.

Mr. DUPUIS: I should like to ask a question.

The ACTING CHAIRMAN: Mr. Porteous was on his feet first. Dr. Pickel, have you finished?

Mr. PICKEL: Yes, I have finished for the time being, seeing he is to be recalled.

Mr. TUMMON: I just want to make a statement before this witness retires. This witness was asked for the information that I have asked for, and I do not propose, as far as I am concerned, to release the witnesses of this company until I get that information.

The WITNESS: That is perfectly all right, sir.

By Mr. Porteous:

Q. I should like to ask a question or two before the witness is dismissed, with regard to surplus milk. You made a statement that you give the farmer the preference of keeping his surplus, if he so desires?—A. Most decidedly.

Q. Have you any patrons who do that?—A. Well, we compel them to do that, sometimes.

Q. Of their own free will and accord, have you any patrons?—A. Of their own free will and accord, that is their privilege, and it is a different proposition.

Q. Now, there is one other thing I would like to ask you——A. As I told you, last week we stopped 200 cans to the detriment of the farmer.

Q. In 1931 you said you had a surplus of twenty-nine point something per cent?—A. Exactly.

Q. And then there was a statement presented here that showed that you paid to one of your patrons a surplus of about 50 per cent?—A. Possibly.

Q. Can you account for that in any way?—A. Very easily. Possibly that man had hardly any milk during the winter season or when we needed it most, and when the flood came his cows had calved, and he simply shipped that milk in—simply shipped it in and got a better price than shipping it to the butter factories.

Q. How did you allot to the patron the percentage of surplus?—A. Just on the amount he shipped in the hard time.

Q. Over a period of shortage?—A. Over a period of shortage, yes.

Q. What is that period?—A. Well, it extends possibly from the 1st of November until the end of February.

Q. Yet, it is possible that the patron may have a percentage—one patron may have had a percentage of over 75 per cent in surplus milk?—A. Yes. We have some men who practically dry up during the winter months and all their cows calve in the spring and they ship all their milk in.

Q. And you have others that during that short period will put up a constant supply, and they will not have any surplus milk?—A. They will have hardly any.

By Mr. Dupuis:

Q. Mr. Cousins, you said that your company is losing on separate milk which is made into cream or butter. Well, how much milk did you separate during the last six months, month by month, could you give that?—A. No, I have not got those figures.

Q. Say since September last?—A. I could not give you those figures. Yesterday we separated 250 cans, 2,500 gallons.

Q. Yesterday?—A. Yes.

Q. That is one day alone?—A. This is the time when the flooding begins.

Q. I want to know the facts since September?—A. I could not give you those figures because I have not got them.

Q. When you go back, when you are called again with your accountant, with your books, could you provide the committee with all those details?—A. Possibly, yes.

Q. Why do you say possibly?—A. Because—

Q. Why don't you say positively?—A. No. I would not say positively to anything.

Q. You do not put that in your books?—A. Oh, yes, the amount of surplus is all in our books—the amount that is separated. Well, I presume it is. I do not keep track of that myself.

Q. I did not say yourself, but your company does?—A. Possibly, yes.

Q. Well, somebody in your office does that work?—A. Oh, yes.

Q. Well, I want to know this month by month since September, 1932—I want to know how much surplus milk your company had and how much milk you did separate and what you did with it?—A. Well, I have told you the amount of surplus that we had. I have given you those figures.

Q. How much milk did you separate; would you be able to give us that?—A. I will try to be able to let you have those figures.

By Mr. Brown:

Q. The questions I am going to ask may seem somewhat trivial compared with the big matter that Mr. Bowman was dealing with, and yet they refer to the spread in a good many items that go to make up the spread between the price you pay and the price at which you sell to the consumer. Now, when your son was here, for instance, he gave us one item in your delivery expenses, referring to the year 1932. He told us that costs for wagons and sleighs were $2,835.76. Now, that was given us as delivery expenses on an average of 36 routs for 11 trucks. Is that under that heading?—A. Yes.

Q. Then, further on we were given depreciation on delivery equipment $7,297.61. Now, is it not possible that there is some over-lapping in depreciation for delivery equipment?—A. No, that is kept separate and distinct.

Q. Yes, but do you mean to say then that your replacement charges for waggons and sleighs over the year is $3,000?—A. Oh, yes, easily.

Q. And there is no further account taken of these items in your delivery equipment?—A. Just exactly how do you mean?

Q. You see you have two items that we might think as possibly over-lapping —waggons and sleighs $2,839.76?—A. Yes.

Q. Now, that is an annual charge?—A. Yes.

Q. Then you have depreciation on delivery equipment $7,297.61?—A. Yes.

Q. You are quite satisfied that there is no over-lapping between those two items?—A. I am fairly well satisfied, yes.

Q. We would like to be sure. Now, there is another item which appears to be small but yet it may add considerably to the making up of this spread. For instance, you have shoeing of horses $3,065.32?—A. Yes.

Q. Your son told us when we asked him how many horses you kept—he said 45 or 50?—A. Yes.

Q. Taking it at 50 that would be $60 per year for the shoeing of a horse? —A. That is very reasonable.

Q. It may be, only those of us who have had some experience in having horses shoed for other purposes are not so sure it is perfectly reasonable. How often have you to have your horses shoed every year?—A. In the winter time, the caulks have to be removed almost every day.

Q. Well, it may be alright. I wanted to know?—A. I am explaining the circumstances. We keep our own blacksmith to shoe our own horses and he has to go through these horses every day, especially when the roads are slippery and put caulks into those shoes.

Q. You use the shoes that have removable caulks?—A. Exactly.

Q. It may be reasonable; but it seems to me on the face of it—A. No, that is very reasonable. Now, the man in the city—the blacksmith charges you $3 to shoe a horse, and you may have to get a horse shoed two or three times in a month—more often than that sometimes. You know that the roads in the city are totally different from the roads in the country.

The ACTING CHAIRMAN: I think, gentlemen, that we should take the opinion of the committee with regard to the motion that is before us. Mr. Spotton has moved that the witness be released for the present and that the sub-committe consider whether it is desirable to recall him accompanied by his accountant. Is the committee ready for the question?

Mr. CARMICHAEL: The idea back of that was to hear the next witness if we have time.

The ACTING CHAIRMAN: We should remember that we have permission to sit while the house is in session. We can meet again in order to hear the other witness. What is your wish in connection with Mr. Spotton's motion; are you favourable?

Motion carried.

Mr. Cousins, we are finished with you for to-day.

Mr. Bowman: There must be somebody in your company Mr. Cousins, who can give us the financial set-up.

The Witness: I will fetch the auditor up next time.

The Acting Chairman: The next witness is Mr. Monette, who gave us evidence before; do you wish to proceed now. Mr. Monete has already been sworn.

Mr. F. Monette, recalled.

By Mr. Bowman:

Q. Mr. Monette, there is one point I would like to cover a moment or two in your previous evidence. Mr. Chairman, would you mind giving Mr. Monette a copy of the evidence?—A. I have it.

Q. Will you kindly refer to page 157?—A. Yes, sir.

Q. At the bottom of page 157, Mr. Tummon asked you these questions and these answers were given by you:—

> *By Mr. Tummon:*
>
> Q. Do I understand that you pay for your milk really at a flat price?—A. Flat price, sir.
>
> Q. In January of 1932, what did you say that was?—A. We paid in January, $2.08.
>
> Q. 1932?—A. Pardon me, 1932 we paid $1.46.
>
> Q. Was that the price to all of your producers?—A. To every one of our shippers.
>
> Q. You paid that to every one of your shippers?—A. Every one of our shippers, no surplus, no skimming.
>
> Q. Now Mr. Monette, what price is given there?—A. $1.40 at Howick on the first of January.
>
> Q. These figures differ from yours?—A. I think, if you take more time, I can send you a list of every shipper and the price they got.

And then at the bottom of page 158 you are asked this question by Mr. Dupuis.

> *By Mr. Dupuis:*
>
> Q. Would you tell me what you paid?—A. The average price was $1.05.
>
> Q. To Howick people?—A. Mr. Elliott over here in May had one dollar instead of $1,05. That means very likely that somebody had $1.10, generally $1.10.

Now, you remember those questions and answers, do you, Mr. Monette?—A. Fairly well, sir.

Q. And you remember a particular account that was referred to at that time?—A. Yes, sir.

Q. The Elliott account?—A. Yes.

Q. And has your company since given notice to Mr. Elliott, whose evidence was used in this committee, that he was to stop shipping to the company?—A. Yes, him and many others.

Q. Yes. But you did, subsequent to Mr. Elliot's evidence being given to this committee—you did give notice to Mr. Elliott that you would no longer take his milk?—A. Yes, and some others from the district as well, we have about 75 of them here, right here (indicating list).

Q. Prior to the time that his statement was used in this committee, Mr. Elliott had been shipping to your company for about 2 years?—A. I don't remember anything about that, sir.

Q. Will you admit that that is a fact?—A. We will admit it.

Q. You will admit that?—A. Yes.

Q. And shortly after his statement was used in this committee he was quietly told that the company did not want his business any longer?—A. I have got a copy of a letter to him and some others that we sent out, if it is of any interest to the committee I will read it.

Q. All right, we want to be fair?—A. "We are sorry to say that unless there is some improvement in the market for milk we are compelled to ask you to stop shipping after March 25 next. Our dealings together have been most satisfactory, and we only hope it will be possible for us to ask you to resume shipments again as soon as the flush is over."

Q. How many was that sent to?—A. How many was that sent to—I will count them, sir. There are the letters, sir, I would say about seventy-five had been cut off.

Q. And they were all in that particular district?—A. No, not all of them. I have some in the district of St. Agnes. We did the same to them also. If you want some more in the same district I can give them to you.

Q. That may be right, but to some of the members of this committee to whom this information was brought it appears rather significant that because you were confronted with a statement of Mr. Elliot's which did not agree with your statement he should be among those who are cut off?—A. That is not the reason, sir.

Q. That is not the reason, not any more?—A. That is not the reason for it.

Q. All right—

By Mr. Dupuis:

Q. Mr. Monette, you might explain again why there was this difference, if I remember correctly you gave the reason before?—A. Of the difference?

Q. Between the general average price, and the price paid to Mr. Elliot?—A. Yes, I got a little mixed up in not using the right word, about average and the average price, I think I should have used the word "uniform price."

Q. Was Mr. Elliot shipping milk the year around?—A. He was shipping, evidently, all the year round. If you will allow me, I would tell you that there is a truck running there, around that section, which they are not going to have next year.

Q. Now, Mr. Monette, I asked the previous witness to tell us how much milk he separated since September, 1932. He said he was unable to give these details. Are you able to give them?—A. I could not give them.

Q. How much do you separate, as much as these other companies?—A. I could not give, Mr. Dupuis, how much milk Mr. Cousins separates.

Q. Your company?—A. I can give you the skim milk for the whole year.

Q. Since the month of September last?—A. I cannot give you that, Mr. Dupuis, I can give you the total milk skimmed in 1932—we skimmed 165,000 gallons.

Q. Yes, but that does not give the details?—A. I can't give the details because, Mr. Dupuis, we are buying our milk on a different basis. The surplus milk and the skim milk belong to the company; we pay so much to the farmer.

Q. According to your experience, Mr. Monette, is there during the winter time an over-production of milk generally?—A. Not generally, but this year when there was no shortage—

Q. No shortage?—A. No shortage this year. I have been in the business a long time and this is one of the first years that we did not have any.

Q. To what cause do you attribute that?—A. More shipping, more people wanted to ship milk to Montreal.

Q. Oh, I see.—A. Now, the States have been shut off a few years ago and all these people had no market for their milk. Naturally they looked to Montreal. We have a great many shippers in eastern Ontario that never came to Montreal before who came in this year.

Q. As a general rule, Mr. Monette, is there much over-production in the winter time?—A. As a rule, no sir.

Q. And, is there much surplus of milk in your companies in Montreal in the winter time?—A. Well, we had a surplus this year. As a rule we don't have it.

Q. What percentage of surplus do you have in your company during the winter months?—A. That is very—if you would say February.

Q. Say, October to February?—A. It is hard for me to tell you that, in January—the end of December to the 15th of January there is not that quantity of milk sold as at other times, in the winter time, because during the holidays people do not drink milk. And then, there is a surplus. There is always a surplus during that time—I would say from Christmas until after or about the 15th of January.

Q. You consider that is the cause of over-production?—A. Well, I would not like to say it is over-production.

Q. I mean over-shipping?—A. No demand for milk then.

Q. That is, under-consumption?—A. Yes, that is under-consumption.

By Mr. Mullins:

Q. Mr. Monette, what is lactic acid?—A. Lactic acid, oh, that is a milk—sour.

Q. What is it used for?—A. In other words, that would be sour milk.

Q. What is that?—A. Lactic acid is practically sour milk. It is an acid that is sour.

Q. You use it for souring milk?—A. No, we do not use that acid at all.

Q. One of the witnesses told us that it depreciated the machinery?—A. Yes.

Q. I just wanted to get at what the idea of it was?—A. Well, of course, if milk gets sour we say it is acidy—

Q. It might mean———A. In the business, that is, in our company we have depreciation on automobiles of 20 per cent per year; on rolling stock 15 per cent; on machinery 10 per cent; and on buildings $2\frac{1}{2}$ per cent. That is what we are allowed by the income tax.

Q. Now, milk that you get in must test 3.5?—A. Why, not exactly, sir, because the law will allow you to get in milk 3.25.

Q. Supposing it comes in below that, do you put some cream into it?—A. We have got to do that if it is below standard.

Q. To bring it up?—A. But, when we have that milk below standard it shows that some of the producers are getting careless, or too anxious, and we check them up and send word to stop them from shipping any more. We say that is very dishonourable.

Q. You make buttermilk?—A. We make buttermilk—not very much, sir. We are a new company.

Q. What do you get a quart for that?—A. We hardly—well, I can't answer that because the most of our business is wholesale.

Q. Oh yes?—A. We sell a few quarts around 8 cents a quart. Not enough to be of any interest.

Q. And you manufacture from the culture?—A. From a culture, yes.

By Mr. Dupuis:

Q. I have a very important question to ask the witness, as is comes to my mind; it is generally understood in Canada that in large centres milk dealers

make falsified cream and falsified milk with chemical processes. I would like to ask the witness if, in good faith, he can tell that those things are done in Montreal?—A. Not to my knowledge, sir.

Q. Well, didn't you ever hear about it?—A. Oh, there are rumours, naturally, Mr. Dupuis. It seems that a fellow is honest all right until he gets into the milk business, and then he is branded as a thief.

Mr. MULLINS: He is done then. I have been in the wrong end. I have been in the cow end, and you are in the milk end. I have had the wrong end.

The WITNESS: I am not so sure.

By Mr. Dupuis:

Q. I suppose you are not ready to admit that there were some of these milk dealers that make falsified butter with cocoanut oil?—A. That was done some years ago.

Q. And in the criminal courts we find many names in Montreal and other large cities that have paid a fine?—A. Yes.

Q. And how is it that in good faith you cannot tell this committee that this thing is currently done in large cities?—A. It is not currently done in Montreal. We have a by-law, and our officials are efficient, and they look after that thing.

Q. That by-law is there to be broken, I suppose?—A. The same as any other.

Q. It is like traffic laws?—A. Yes.

Q. Nobody is allowed to go more than thirty miles an hour, but everybody does?—A. Well, it is not the case in milk.

Q. Suppose the thing occurs in large cities like Montreal, Toronto, Winnipeg, that milk dealers are doing these things, selling falsified cream and falsified milk and butter, what would you suggest to the committee to do to prevent those things?—A. Well, you have got sufficient by-laws now, Mr. Dupuis, to prevent all those things; and I can say for Montreal that it is well applied and well looked after. About these people that were making some adulterated butter, the government got after them; and to-day, with butter around 16 or 20 cents, there is not the incentive that there was before when butter was 40 cents. To-day they have got to pay 10 or 12 cents for cocoanut oil; in selling their butter at 16 or 18 cents, it does not pay them to do that, so they are driven practically out of business.

Q. Is there any peanut butter sold these days?—A. There is peanut butter sold as peanut butter.

Mr. DUPUIS: Mr. Chairman, I wanted to clear my mind on that question which is most important, and I would like you to take the proper steps to bring in before this Committee a chemist that could tell us if is it right that these things are done, or inspectors of the Government.

Mr. PICKEL: Enforce the law, that is all; just enforce our law.

The ACTING CHAIRMAN: That matter can be considered by the sub-committee.

By Mr. Moore:

Q. Mr. Monette, a few minutes ago Mr. Bowman asked you a question about Mr. Elliott's milk. Can you tell me how many you have discontinued taking milk from? You said you had the list of names there?—A. Yes.

Q. Some others?—A. Do you want me to count them?

Q. No; about how many approximately?—A. I just answered that; about fifty, seventy-five; there is the list.

Q. How many would that show?—A. I would say about seventy-five; perhaps fifty. I am not sure. The names are all there.

Q. Yes; you have taken on no new customers since?—A. Certainly not, no.

Q. None at all—A. There will be some more to be discontinued as well.

Q. We will say the 20th of March?—A. Yes.

Q. In the first place, I would like to know what quantity of milk you were receiving from those that you discontinued?—A. I would say about 150 cans.

Q. About 150 cans?—A. Yes.

Q. That is how many gallons?—A. About 1,200 gallons.

Q. About 1,200 gallons?—A. Yes.

Q. We will say on the 20th of March you have a milk distributing route in Montreal?—A. Yes.

Q. You were selling 1.200 gallons, the same on the 20th of March that you were on the 30th of March; your business must have gone to pieces?—A. No, not exactly that way.

Q. Well, about that; that is approximate.—A. Oh, yes; but you are taking the wrong thing.

Q. Wait a minute——A. I will wait.

Q. You have discontinued; you say you were receiving about 1,200 gallons from this number, anyway?—A. Yes.

Q. 1,200 gallons?—A. Yes.

Q. I know what you are going to say.—A. Yes.

Q. That you have had this 1.200 gallons of milk from some of your people, other people; that is what you are going to say?—A. That is the only logical answer I can give you.

Q. But 1,200 gallons of milk, the difference on the 20th of March and on the 30th of March— —A. Yes.

Q. —to one milk distributor is a lot of milk?—A. Yes, I agree; but if that was the reason, it would be very different. But it is because the other shippers have increased their quantity.

Q. But have the other shippers increased 1,200 gallons?—A. I told the committee that there was a surplus of milk all winter this year, and we carried that surplus as far as we could, and when it came to the 20th of March, and it was going up, or was larger, then we had to discontinue some of the shippers and that is what we have done.

Q. These shippers whom you have ordered to discontinue shipping milk to you are all from the same district?—A. No, sir, they are from all over; from Finch, from Avonmore, Ste. Agnes de Dundee—Mr. Quenneville from Ste. Agnes de Dundee.

Q. Are the majority of those whom we have discontinued— —A. Yes.

Q. Are they all round year shippers?—A. If they are year around shippers?

Q. Yes?—A. Some are.

Q. Most of them, yes.—A. I would say some of them that there is in this, say Cardinal for instance, they are not year around shippers, because we took them on last February.

Q. You could easily understand discontinuing with them?—A. I quite understand your position on that. But the reason that you infer is not the logical reason. The reason is because we have too much milk; and we did not select Mr. Elliott more than anybody else, because we had some in the same district, and this truck that is hauling milk which we are discontinuing.

Q. But the implication looks rather—

Mr. Dupuis: More or less circumstantial.

Mr. Moore: Yes, a coincidence.

By Mr. Pickel:

Q. How many did you discontinue last year?—A. That is more than I can say. I could not say that. It depends altogether on the season of the year and the quantity of milk that we receive. We carry on as long as we can.

By Mr. Moore:

Q. Another question; you said you had a heavy surplus all last summer and last winter; you carried it?—A. Yes.

Q. Why are you not doing the same thing now?—A. Because we don't look for any increase in the price; generally in the spring of the year the price does not go up.

Q. You carried them through the surplus before; now you discontinued?—A. We discontinued the same as we do every year. We do that every year, in the spring of the year.

By Mr. Bowman:

Q. How is it you happened to discontinue that man?—A. There is no discrimination; there is a truck that does not stay there to receive milk there in that district, and Mr. Elliott happened to be sending his milk in that truck; that is why we say we discontinued him. I will go further. We had some milk shippers in that same district that were shipping by C.N.R. and we keep them on because it suits us to do that.

By Mr. More:

Q. Yes, but the general opinion—my own opinion and the opinion of the committee, I should say is had not Mr. Elliott's name been brought into this committee, that he would still be shipping milk to Mr. Monette.—A. Well, of course, that is your own opinion.

Q. Not my own opinion; the opinion of the committee.—A. Well, I can't say any more than that I am under oath, and I told you it is not the reason. If you don't believe me, I may as well quit.

Q. If I understand Mr. Monette rightly, he says that Mr. Elliott was on a route that was being served by a truck?—A. Yes.

Q. Is that right?—A. Yes.

Q. He was one of a number of shippers who were shipping by truck?—A. Yes.

Q. And it was in their interests to cancel that truck?—A. Exactly.

Q. That seems to be reasonable.

Mr. Spotton: Of course, reasonable.

Mr. Brown: It seems to be a coincidence.—A. I can give you some other names as well. It is all on here.

The Chairman: Now, gentlemen, it is two minutes to one. I think you should make a decision as to whether you wish to continue this afternoon or not.

Mr. Tummon: I can get through, as far as I am concerned, in a very few minutes.

The Chairman: Well, are there other questions that members want to ask? Do you wish to go on now?

Some hon. Members: Finish up.

The Chairman: Go ahead.

Mr. Tummon: I just want to say in regard to the matter that is under discussion by Mr. Moore and Mr. Monette, that it is rather unfortunate, Mr. Monette, that Mr. Elliott's name was included among those whom you discontinued, due to the fact that his name was brought in the other day when you were here, unfortunately to be regretted. I as chairman of the sub-committee have had scores of letters from producers who do not want their names mentioned, do not want to be brought in because they feel that if their names are made public that the dealers will discontinue taking milk from them. Now, I say that it is unfortunate that Mr. Elliott's name was included, under the circumstances, because I do not want to believe, and the committee do not want to believe

that the dealers of Montreal will turn round and try to punish those who seek to give information to this committee which is trying to get at the facts; and as a committee I say, we regret the incident very much. Now, a little while ago, you said that you put a certain amount of cream into the low testing milk in order to bring it up to 3·5. Can you tell the committee how much cream you put in?—A. Naturally it would not be very much of a quantity, because we do not want to receive milk that is below the standard.

Q. Is not that illegal?—A. To add cream?

Q. To add cream.—A. You have to do one thing or the other. You have got milk that you cannot put out, because if you sell it it would be under the law, and if you put cream into it, well, it is against the law. I am going to say this is the explanation, that probably some of the farmers ship milk below the standard, and we get in such a position, sometimes, you know, that we cannot help—

Q. Is there any such by-law which says that you shall not add to nor take away from any of the milk that comes in?—A. Is it? The by-law will tell you that, Mr. Tummon, I do not think we should come here and it be made a crime for adding cream to our milk.

Mr. Moore: It is against the law.

By Mr. Tummon:

Q. Have you the total number of pounds of milk you purchased in the year 1932, Mr. Monette?—A. Yes.

Q. Will you give that to the committee?—A. Yes, 12,935,423 pounds.

Q. And the average price per hundred pounds paid?—A. I can give you that month by month, not for the year.

Q. Not for the year?—A. I cannot give it, because I am going to tell you why. Sometimes, in the summer time, and in the winter time, we may receive more milk than we do at other times, and that is the reason.

Q. That would not stop you from making an average for the year. I have figured too many averages to be told that.—A. I am not keeping the books.

Q. That is alright.—A. If it had been only asked for, I would have done that. I came the last time, and gave you the prices for milk month by month, that was paid.

Q. You said you were going to tell me the reason why, that is all.—A. The reason why?

Q. Yes. Now, then, you purchased cream outside?

Mr. Dupuis: Would it not be interesting to the committee to have it month by month?

Mr. Tummon: I think we have that.

The Witness: You have the sale price for all milk sold by the gallon?

Mr. Tummon: We have that all in the evidence.

By Mr. Tummon:

Q. I think you purchased sweet cream?—A. Yes, sir.

Q. Have you the total amount of sweet cream purchased in 1932?—A. No.

Q. Will you be able to supply that to the committee?—A Sure.

Q. Giving the total number of pounds of sweet cream?—A. Yes.

Q. And the pounds of butter fat in it?—A. Yes.

Q. Did you purchase any sour cream for churning purposes, or cream for churning purposes?—A. Yes.

Q. Will you give us the total amount of the purchases?—A. Yes; the government has that. You have that in the Department of Agriculture.

Q. Yes, but I want it from you, and the total number of pounds of churning cream and pounds of butter fat.—A. Do you want to know the price as well; is that in your interest?

Q. Yes, give us the prices.—A. Do you want it month by month?

Q. No, the total for the year 1932. Does that include what we might call all the raw products of milk that you purchase; that is, fluid milk, sweet cream and churning cream includes all your total purchases?—A. Yes, total purchases. That would not include the total purchases, because sometimes I buy butter. Shall I include that?

Q. Yes, you may include that.—A. Buy cheese as well. Do you want that?

Q. That all enters into it. The outside number of pounds you bought, and what it cost you. You have not filed your financial statement for the year 1932. —A. I find it has not come in yet.

Q. You will file it?—A. Certainly. I gave orders to the auditors to send it over.

Q. Properly certified?—A. Sure. I had it the other time, but however, the committee seemed to be in favour of getting it translated, which I have asked our auditors to do, but the auditors at this time are very busy; but it will be here on time.

Mr. Spotton: Mr. Chairman, I would suggest that the witness file with us the list of those names that were cut off when Mr. Elliott was cut off, and the name of the truck driver.

The Acting Chairman: You will furnish the information asked?

The Witness: Would you allow me to correct that statement? We did not cut one only off in the district, but we cut the whole truck; that is what we did.

By the Acting Chairman:

Q. You will furnish the truck driver's name and the route?—A. Sure; I have got it; there is nothing to hide.

Q. What is the truck driver's name?—A. Ben.

Q. The initials?—A. I cannot exactly tell you the man's name.

Q. How do you describe the route?—A. I will.

Q. How do you describe it?—A. It goes from Ste. Agnes to Dundee, starts from there.

The Committee adjourned to the call of the chair.

APPENDIX B

ERNEST COUSINS LIMITED

CAPITAL STRUCTURE

. Ernest Counsins Limited was incorporated under Dominion Letters Patent, dated April 9, 1925, with an authorized Capital as follows:—

5,000 Seven per cent Cumulative Redeemable Preferred Shares of $100 each.
10,000 Shares No Par Value.

Supplementary Letters Patent were obtained during 1928 by which 1,469 Preferred Shares were cancelled, and the remaining 3,531 Preferred Shares of a Par Value of $100 were changed into 14,124 Preferred Shares at a Par Value of $25.

The Company received the following consideration for the shares issued:—

Preferred Stock—		
Cash invested by subscribers—4,537 shares at $25..............	$ 113,425	
Net Assets of Ernest Cousins Limited, Old Company, purchased, exclusive of goodwill—1,587 shares at $25....................	39,675	
		$ 153,100
Common Stock—		
Bonus to subscribers .	$ 6,125	
Preferred dividends (this paid in stock).........................	12,250	
Goodwill of acquired concern..................................	31,625	
		50,000

Dominion Charter.

ERNEST COUSINS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT, FOR THE YEAR ENDED 31st DECEMBER, 1931

Sales (88% Wholesale, 12% Retail)			$ 667,961 92
Purchases			361,327 18
			$ 306,634 74
Express on cream		$ 4,947 17	
Wages (average 70 employees)		93,786 35	
Bottles	$ 16,924 52		
Cans	876 00		
Cases	4,369 00		
		22,169 52	
Dairy expenses, comprising caps, cleaning materials, etc		9,370 08	
Delivery expenses (average 28 routes and 8 trucks)—			
Feed	$ 6,325 78		
Gasoline and oil	3,753 64		
Repairs harness	1,165 63		
Shoeing, etc	2,222 25		
Waggons and sleighs	3,928 50		
		17,395 80	
Light, heat and power—			
Coal	3,712 54		
Light and power	5,240 27		
		8,952 81	
Repairs and replacements—			
Repairs, cans and cases	1,125 92		
" machinery	5,267 80		
Repairs, auto	4,203 39		
Loss on sale of equipment—			
Typewriters	65 75		
Machinery	14,661 92		
Waggons and sleighs	477 50		
Horses	401 00		
		26,203 28	
Depreciation—			
Machinery	13,990 94		
Delivery equipment	6,160 65		
Building	2,212 26		
		22,363 85	
			205,188 86
Gross profit			101,445 88
Discounts received			455 35
			$ 101,901 23
Advertising		$ 5,177 05	
Salaries (10 employees)		24,102 08	
Taxes		7,935 66	
Insurance		4,481 37	
Stationery and supplies		1,755 34	
General expenses		15,021 87	
Fees: Bacteriologists, auditors, general repairs, paint, etc., lumber, stamps, laundry, telephone, ice			58,473 37
			43,427 86
Bad and doubtful debts	$ 19,401 39		
Depreciation office furniture	466 06		
Interest	4,735 11		
			24,602 56
			$ 18,825 30
Federal income taxes			2,309 53
Net profit			$ 16,515 77

ERNEST COUSINS LIMITED

MILK PURCHASES

1931	Paid Association price	Surplus price	Association price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	$	$	cents	$	cents
January	730,315	385,632	2 40	1 91	34	1 19	
February	706,858	355,612	2 40	1 91	34	1 19	
March	698,070	556,530	2 03	1 54	34	1 19	
April	700,220	502,574	2 03	1 56	34	1 19	22⅝
May	786,792	526,000	2 03	1 45	29	1 01	20½
June	804,475	534,445	1 70	1 26	29	1 10	20¾
July	1,000,641	447,917	1 70	1 29	29	1 01	21¼
August	956,120	439,546	1 70	1 37	29	1 01	21
September	849,987	438,300	1 70	1 38	29	1 01	19½
October	976,486	402,090	1 70	1 40	29	1 01	20
November	1,238,747	....	1 70	1 50 flat	....	....	....
December	1,284,100	5,243	1 70	1 68	25	88	
	10,732,811	4,593,889	1 90	1 52			

Average Association price for the year, $1.90 per 100 lbs.
Average price paid by us for all milk received for the year, $1.52.
Average surplus for the year, 29·8 per cent.

1932	Paid Association price	Surplus price	Association price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	$	$	cents	$	cents
January	980,881	393,009	1 70	1 48	28	....	....
February	1,034,646	384,626	1 70	1 48	29	....	....
March	1,329,485	255,697	1 70	1 44	29	....	....
April	883,093	554,756	1 35	1 22	27	....	....
May	779,934	731,051	1 35	1 02	23	....	16
June	777,118	755,048	1 35	1 05	23	....	16¾
July	883,333	641,150	1 35	1 09	23	....	16¼
August	1,208,025	554,798	1 35	1 07	23	....	16¾
September	1,710,090	....	1 35	1 35	....	....	18½
October	1,502,817	220,469	1 35	1 30	23	....	21½
November	1,714,906	....	1 35 1 60	1 35* 1 60*	....	....	20¾
December	1,645,068	....	1 60	1 60	....	....	20¼
	14,449,396	4,490,604	1 46	1 30			

*For 15 days.

Average Association price for the year, $1.46 per 100 lbs.
Average price paid by us for all milk received for the year, $1.30.
Average surplus for the year, 23·2 per cent.

1933	Paid Association price	Surplus price	Association price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	$	$	cents	cents	cents
February	1,451,770	91,025	1 35	1 30	....	80 Flat	

Sold for average price of 27 cents per gal.
100 lbs. Butter contains 84 lbs. Butter Fat, 16 per cent moisture.
The 84 lbs. Butter Fat contains 3·36 lbs. to 4 lbs. salt per 100 lbs. Butter.

Surplus price paid $1.01 as against milk sent to factory. 63=add 25c.-88c.

ERNEST COUSINS LIMITED

TRADING AND PROFIT LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1932

Sales (88% Wholesale, 12% Retail)			$ 689,650 40
Purchases			360,868 90
			$ 328,781 50
Express on cream		$ 1,953 48	
Wages (average 96 employees)		118,518 09	
Bottles (exchange and new bottles)	$ 14,567 37		
Cans (replacements)	811 63		
Cases	2,169 07		
		17,548 07	
Dairy expenses, comprising caps, cleaning materials, etc		10,646 50	
Delivery Expenses (average 36 routes and 11 trucks)—			
Feed	$ 7,581 96		
Gasoline and oil	4,996 93		
Repairs and harness	1,003 93		
Waggons and sleighs	2,839 76		
Shoeing, etc	3,065 32		
		19,487 90	
Light, Heat and Power—			
Coal	$ 3,276 82		
Light and Power	5,032 82		
		8,309 64	
Repairs and Replacements—			
Repairs cans and cases	$ 1,071 11		
Machinery repairs	5,919 50		
Auto repairs	5,407 33		
		12,397 94	
Depreciation—			
Machinery	$ 15,494 66		
Delivery equipment	7,297 61		
Building	2,212 26		
		25,004 53	
			213,866 15
Gross profit			$ 114,915 35
Discounts received			38 58
			$ 114,953 93
Advertising		$ 9,102 23	
Salaries (13 employees)		26,029 64	
Taxes		6,783 63	
Insurance		3,771 47	
Stationery and supplies		3,276 10	
General expenses (fees, general repairs, postage and excise stamps, cleaning, telephone, etc.)		19,541 67	
			68,504 74
			$ 46,449 19
Bad and doubtful debts		$ 22,322 75	
Depreciation office furniture		468 06	
Interest		3,694 16	
			26,449 19
Net profit			$ 19,964 22
Federal Income Taxes 12½%			2,495 52
			$ 17,468 70

This Statement has not been audited.

ERNEST COUSINS LIMITED

FIXED ASSETS DECEMBER 31, 1932

—	Cost	Reserve for depreciation	Present book value
	$ cts.	$ cts.	$ cts.
Real estate	29,992 50	....	29,992 50
Buildings	88,490 32	12,871 79	75,618 53
Machinery and equipment	109,978 37	48,917 46	59,060 91
Delivery equipment	55,954 05	34,021 29	21,932 76
	282,415 24	95,810 54	186,604 70

HORSES 48, BOOK VALUE $3,826.67 AT DECEMBER 31, 1932

Dec. 31, 1931—Horses, value		$ 6,923 33	
Reserve			$ 2,488 00
Jan. 1, 1932—Horses		$ 6,923 33	
Additions		970 00	
Dec. 31, 1932—Balance		$ 7,893 33	
Reserve 1931	$ 2,488 00		
" 1932	1,578 66		
		4,066 66 (Total Reserve)	
48 horses, value on books after reserve		$ 3,826 67	

ERNEST COUSINS LIMITED

CAPITAL STRUCTURE

Ernest Cousins Limited was incorporated under Dominion Letters Patent dated April 9, 1925, with an authorized Capital as follows:—

5,000 7% Cumulative Redeemable Preferred Shares at $100 each
10,000 Shares No Par Value

Supplementary Letters Patent were obtained during 1928 by which 1,469 Preferred Shares were cancelled, and the remaining 3,531 Preferred Shares of a par value of $100 were changed into 14,124 Preferred Shares at a par value of $25.

The company received the following consideration for the shares issued:—

Preferred Stock—		
Cash invested by subscribers, 4,537 shares at $25	$ 113,425	
Net assets of Ernest Cousins Limited, Old Company, purchased, exclusive of goodwill—1,587 shares at $25	39,675	
		$ 153,100
Common Stock—		
Bonus to subscribers	$ 6,125	
Preferred dividends	12,250	
Goodwill of acquired concern	31,625	
		50,000

MARROTTE, ANDERSON & CO.

CHARTERED ACCOUNTANTS

388 St. James Street

MONTREAL, April 29, 1932.

To the Shareholders,
Ernest Cousins Limited,
Montreal.

We have examined the books and accounts of Ernest Cousins Limited for the year ended December 31, 1931.

We would call your attention to the following in connection with the attached statements:—

Accounts Receivable $76,758.94.—Officials of your Company have certified that in their opinion the Reserves for Bad and Doubtful Accounts amounting to $22,098.71 are sufficient to provide for all the accounts which may be found uncollectible.

MERCHANDISE AND CONTAINERS ON HAND

Milk and Cream.—Your President has certified that the inventories totalling $2,337.06 have been valued at cost prices or at prices which he estimates to be the actual replacement value of the goods at December 31, 1931, where such values were lower than cost.

Bottles, Cans and Cases.—We hold a certificate from your President that in his opinion the amount of $8,246.18 is a fair and conservative estimate of the Bottles, Cans and Cases on hand at December 31, 1931.

Fixed Assets.—Depreciation has been charged to operations during the year as follows:—

Buildings, 2½%	$ 2,212 26
Machinery and equipment, 15%	13,990 94
Autos, various	2,262 75
Horses, 20%	1,384 66
Sleighs and wagons, 10%	2,291 00
Harness, 10%	222 24
Office furniture and fixtures, 10%	466 06
	$ 22,829 91

Liabilities.—We hold a certificate signed by Officials of your Company that all the known liabilities have been set up on the books.

Capital Stock.—Mr. Ernest A. Cousins arranged with nearly all of the Shareholders to issue, and he has issued to them, certain of his own shares of No Par Value Stock of your Company in lieu of their accrued dividends on the Preferred Stock prior to November 21, 1928.

Miss Charlotte B. Lloyd, owner of ten old Preferred Shares is the only one who has not turned in her old certificate in exchange for a new one and who has not accepted Mr. Cousins' offer of certain of his own No Par Value Shares in lieu of accrued dividends.

Accrued Dividends.—Dividends on the Cumulative Preferred Shares are in arrears since August 21, 1929.

General.—At a meeting held on June 12, 1931, your Directors approved a resolution passed by the Board of Directors of Wildgrove Limited, to surrender its charter. The Provincial Treasurer accepted the charter of Wildgrove Limited and its business dissolved as and from August 8, 1931.

All of the assets and liabilities of Wildgrove Limited have been taken over by your Company and incorporated in the accounts.

CERTIFICATE

We report that we have obtained all the information and explanations we have required, and that subject to the foregoing, in our opinion the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at December 31, 1931, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

(Signed) MARROTTE, ANDERSON & CO.,
Chartered Accountants.

STATEMENT I

ERNEST COUSINS, LIMITED

BALANCE SHEET AT DECEMBER 31, 1931

ASSETS

Current—			
Cash on hand and in bank		$ 6,555 22	
Accounts receivable—Trade	$ 76,758 94		
Less: Reserve	12,098 71		
		64,660 23	
Merchandise and containers on hand (certified by the President)—			
Milk and cream	2,337 06		
Bottles, cans and cases (estimated)	8,246 18		
		10,583 24	
			$ 81,798 69
Fixed—As Appraised with Additions Since—			
Land		29,992 50	
Buildings	88,490 32		
Less: Depreciation	10,659 53		
		77,830 79	
Machinery and equipment	93,272 92		
Less: Depreciation	30,412 81		
		62,860 11	
Delivery equipment	49,853 25		
Less: Depreciation	26,723 68		
		23,129 57	
Office furniture and fixtures	4,660 63		
Less: Depreciation	2,541 93		
		2,118 70	
			195,931 67
Goodwill			87,507 44
			$ 365,237 80

LIABILITIES AND CAPITAL

Current—			
Accounts Payable—			
Trade	$ 57,344 63		
Federal income taxes	1,943 32		
Unredeemed tickets (estimated)	4,835 07		
Other	1,701 50		
		$ 65,824 52	
Accrued charges		1,928 27	
			$ 67,752 79
Drivers' guarantee bonds			2,153 46
Mortgage Payable—			
6% first mortgage due 1933			70,000 00
Special Reserve for Accounts Receivable			10,000 00
Capital Stock—			
Authorized—			
Preferred 14,124 7% cumulative redeemable shares of $25 each.			
Common 10,000 shares of no par value.			
Issued—			
Preferred—			
6,124 shares of $25 each		153,100 00	
Common—			
10,000 shares of no par value (issued at $5 per share)		50,000 00	
			203,100 00
Profit and Loss Account—			
Balance at January 1, 1931		5,588 48	
Add: Profit for year ended December 31, 1931 (Statement II)		18,825 30	
		24,413 78	
Deduct—			
Dividends paid on preferred stock	8,036 67		
Federal income taxes	2,309 53		
Organization expenses	1,836 03		
		12,182 23	
			12,231 55
			$ 365,237 80

Approved on behalf of the Board:

ERNEST A. COUSINS, Director.
A. C. CORDNER, Director.

The above is the Balance Sheet referred to in our Report to the Shareholders dated April 29, 1932.

Dated at Montreal,
April 29, 1932.

(Signed) MARROTTE ANDERSON CO.,
Chartered Accountants.

STATEMENT II

ERNEST COUSINS, LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1931

To Stock on hand at 1st January, 1931		$ 3,280 60	By Sales—Milk and cream	$ 638,912 06	
Purchases—Milk and cream	$ 334,356 05		Other	30,164 30	
Other	26,027 59				
		$ 360,383 64		$ 669,076 36	
			Less: Allowances	1,114 44	
		363,664 24			$ 667,961 92
Less: Stock on hand at 31st December, 1931		2,337 06			
		$ 361,327 18			
To wages	$ 93,786 35				
Express	4,947 17				
Bottles, cans and cases	22,169 52				
Dairy expenses	9,370 08				
Delivery expenses	17,395 80				
Light, heat and power	8,952 81				
Repairs and replacements	26,203 28				
		182,825 01			
To Depreciation—Machinery	$ 13,990 94				
Delivery equipment	6,160 65				
Building	2,212 26				
		22,363 85			
Gross profit carried down		101,445 88			
		$ 667,961 92			$ 667,961 92
To Advertising	$ 5,177 05		By Gross Profit brought down		$ 101,445 88
Salaries	24,102 08		Discounts received		455 55
Taxes	7,935 66				
Insurance	4,481 37				
Stationery and supplies	1,755 34				
General expenses	15,021 87				
		$ 58,473 37			
Bad and doubtful debts	$ 19,401 39				
Depreciation—Office furniture and fixtures	466 06				
		19,867 45			
Interest		4,735 11			
Profit for year carried to balance sheet (Statement I)		18,825 30			
		$ 101,901 23			$ 101,901 23

Filed By Witness Monette

LAITERIE PERFECTION LIMITEE

PERFECTION DAIRY LIMITED

MONTREAL, March 18, 1933.

DEAR SIR,—We are sorry to say that unless there is some improvement in the market for milk, we are compelled to ask you to stop shipping after March 25, next.

Our Dealings together have been most satisfactory and we only hope that it will be possible for us to ask you to assume shipments again as soon as the flush is over.

Yours truly,

PERFECTION DAIRY LIMITED,

JOS. HEBERT,

Per Jos. Hébert.

Nos.	Noms	Adresses
013	Carl Anderson	Cardinal, Ont.
019	W. J. Arnold	Ste. Agnes de Dundee, Que.
020	Elzie Alguire	Avonmore, Ont.
02	Alex. Barker	Avonmore, Ont.
016	L. Brown	Cardinal, Ont.
018	H. Bayers	Cardinal, Ont.
037	F. G. Bennett	Spencerville, Ont.
041	Thos. L. Brown	Spencerville, Ont.
02	Campbell Bros	Finch, Ont.
09	W. J. Cook	Cardinal, Ont.
022	Mme. Felix Cyr	Ste. Scholastique, Que.
031	Edward Cameron	Avonmore, Ont.
032	Basil J. Crawford	Finch, Ont.
033	Allison Cook	Spencerville, Ont.
034	J. A. Campbell	Finch, Ont.
036	Geo. W. Carlyle	Mountain, Co-Dundas, Ont.
037	W. A. Cameron	Mountain, Co-Dundas, Ont.
01	Ovide Duhame	St. Anicet, Que.
018	Errington & Driscoll	Iroquois, Ont.
019	W. M. Dodge	Cardinal, Ont.
027	Alfred Dunbar	Finch, Ont.
028	Carman Dukelow	Spencerville, Ont.
02	J. B. Elliott	Howick, Que.
09	S. W. Farrell	Finch, Ont.
020	J. D. Forsyth	Finch, Ont.
06	Clifford Grue	Spencerville, Ont.
028	Philippe Gratton	Ste. Scholastique, Que.
029	Leon Gratton	Ste. Scholastique, Que.
030	D. H. Gillie	Finch. Ont.
03	W. D. Hamilton	Iroquois, Ont.
015	Arthur Humes	Cardinal, Ont.
016	Carl. Hunter	Spencerville, Ont.
059	Adolphe Legault	Ste. Scholastique, Que.
070	Romuald Lalonde	Ste. Scholastique, Que.
09	Henri Meloche	St. Augustin, 2 Montagnes, Que.
021	A. G. McDonald	Apple Hill, Ont.
022	D. McCuaig	Bainsville, Ont.
032	C. McKinnon	Finch, Ont.
034	Hugh McMillan	Finch, Ont., R.R. 2.
035	Morrison McLeod	Finch, Ont.
036	Kenneth McRea	Finch, Ont.
037	D. W. McRea	Finch, Ont.
038	Stewart L. McRea	Avonmore, Ont.
039	Neil A. McRea	Finch, Ont.
040	Donald H. McIntosh	Finch, Ont., R.R. 1.
041	Angus McMillan	Finch, Ont.
043	C. A. McMillan	Finch, Ont.
044	W. McLaughlin	Finch, Ont.
045	Dan McMillan	Finch, Ont.
046	Angus D. McMillan	Avonmore, Ont.
047	Archie McEntyre	Avonmore, Ont.
049	Hugh J. McMillan	Finch, Ont.
059	G. McNaughton	Finch, Ont.
09	Blake Nephew	Finch, Ont.
023	Alvin Prosser	Cardinal, Ont.
01	J. H. A. Quenneville	Ste. Agnes de Dundee, Que.
023	Edward Raycroft	Cardinal, Ont.
024	Jas. Reilly	Spencerville, Ont.
026	D. Ritchie	Avonmore, Ont.
01	W. D. Shaver	Cardinal, Ont.
05	C. B. Scott	Cardinal, Ont.
09	Alex. Smith	Finch, Ont.
010	Hugh Shaver	Finch, Ont.
011	Thos. Sutherland	Avonmore, Ont.
012	D. A. Shaver	Finch, Ont.
013	James Smith	Spencerville, Ont.
021	Percy Taylor	Cardinal, Ont.
023	Charlie Tyo	Apple Hill, Ont.
011	J. Vallance	Apple Hill, Ont.
01	Arthur Zeran	Newington, Ont.

APPENDIX C

FILED AND REFERRED TO IN EVIDENCE BY WITNESS P. D. McARTHUR AT PAGE 18 ET SEQ

	Agreed Price	Firm A Per cent Surplus Price	Firm A Average Price	Firm B Per cent Surplus Price	Firm B Average Price	Firm C Per cent Surplus Price	Firm C Average Price	Firm D Per cent Surplus Price	Firm D Average Price
	per cwt.		$	Per cent	$	Per cent	$		$
January	$1 70	22	1 60	24 at $1 05	1 54	17·6 at $1 05	1 60	No surplus	1 40
February	1 70	19	1 65	18·5 at 1 05	1 55	3·3 at 1 05	1 67	"	1 40
March	1 70	21	1 62	29·8 at 1 15	1 55	12·3 at 1 10	1 63	"	1 40
April 1–15	1 70	23	....	....	....	....	....	....	....
April 16–30	1 35	15	1 30	5 at 1 00	1 39	12·3 at 0 90	1 45	"	1 00
May	1 35	25	1 26	8 at 0 95	1 23	16 at 0 90	1 28	"	1 00
June	1 35	43	1 20	12 at 0 95	1 24½	15·7 at 0·90	1 28	"	1 00
July	1 35	43	1 19	9·5 at 1 05	1 24	None	1 35	....	1 00
August	1 35	27	1 26	8 at 1 05	1 28	3·5 at 0 95	1 36	"	1 00
September	1 35	30	1 28	18 at 1 05	1 29	7 at 1 00	1 32½		1 20
October	1 35	25	1 29	....	1 33	7·5 at 1 00	1 32½	"	1 20
November	1 35	8	1 34	8 at 1 05	1 37	None	1 35	"	1 20 1 35
December	1 60	23	1 50	....	1 55½	13·6 at 1 05	1 53	"	1 60
Averages	$1·477	....	1·374	....	1 38	....	1·427	....	1 21

Aver price agreed, $1·4777. Average net price, $1·227.
Average price received, $1·322 per cwt. Average net price received, $1·072 per cwt.
Some of the milk was as low as 75 cents delivered in Montreal, netting 50 cents per cwt.

P. D. McARTHUR.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 6, 1933

No. 11

Reference,—Milk and Milk Products

Ernest Chartrand, Superintendent, La Laiterie Etoile Incorporée, Montréal.
Gerald Desjardins of La Ferme St. Laurent Limited, Montreal.

Appendix "B," Documents filed by Witnesses

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
THURSDAY, April 6, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Dupuis, Gobeil, Goulet, Jones, Loucks, McGillis, McKenzie, Motherwell, Mullins, Myers, Pickel, Porteous, Senn, Shaver, Simpson Spotton, Stewart, Stirling, Taylor, Vallance, Weese, Wilson, Weir *(Macdonald).*

As the witnesses of the day were giving their evidence in French the chairman called on Mr. Moore to act as associate chairman.

Mr. Spotton introduced the subject of the further proceedings of the committee and after discussion it was decided to call the committee for to-morrow to give the matter further consideration.

Mr. Ernest Chartrand, Superintendent, La Laiterie Etoile Incorporée, Montréal, was called, sworn and examined.

Witness retired.

Gerald Desjardins of La Ferme St. Laurent Limitée, Montréal, was called, sworn and examined.

Witness retired.

The meeting adjourned till Friday, April 7, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
THURSDAY, April 6, 1933.

Mr. Moore, acting chairman.

Mr. ERNEST CHARTRAND, of Saint-Leonard-de-Port-Maurice, called and sworn.

By Mr. Moore:

Q. What is your name, please?—A. Ernest Chartrand.

Q. Which company do you represent?—A. La Laiterie Etoile, Incorporee.

Q. Are you the president of the company?—A. No, I am only the superintendent.

Q. Just superintendent?—A. Yes, sir.

Q. You do not own the company?—A. No, I do not; I am only a shareholder of the company. I have received a telegram and I have come.

Q. Since what date are you superintendent?—A. Since the formation of the company, on the 5th day of October.

Q. Since October 5 last?—A. Yes.

Q. Have you anything to say to the Committee?—A. I can answer any questions you wish to ask me.

Q. You wish only to answer questions. Have you not any suggestions to make?—A. I shall give you all the information you wish from me.

By Mr. Gobeil:

Q. Mr. Chartrand, what company do you say you represent?—A. La Laiterie Etoile, Incorporated (The Star Dairy, Incorporated).

Q. Since when?—A. Since October 5 last.

Q. Has the company been incorporated only on that date?—A. Yes, on the 5th day of October.

Q. In that case, you have not many reports of your operations since you have not been long in business. Can you tell the Committee how many pounds of milk you have bought since your incorporation?—A. Certainly: from October 5 to January 1st, we have bought 788,130 pounds of milk for which we paid $11,955.49.

Q. How do you buy your milk, Mr. Chartrand?—A. By the hundredweight.

Q. Have you a special price or do you pay the Association price?—A. We pay according to the Association prices.

Q. You have no price for the surplus—A. No, we have no milk surplus: it is all paid in accordance with the established prices.

Q. What price did you pay?—A. From October 5 to January 1, the price was $1.39.

Q. Is this an average?—A. Yes, the average.

Q. Now, Mr. Chartrand, have you been a long time in the milk industry, in Montreal?—A. Since four years ago.

Q. Have you been connected with the organization of a company by the name, I think, of Les Producteurs de Lait?—A. The Northern Farmers' Dairy.

Q. In what year, Mr. Chartrand?—A. From 1930 to 1932.

Q. Not before?—A. No.

Q. Is this company still in existence?—A. No, sir; it has been bought out by the Star Dairy, la compagnie Etoile.

Q. Have you been one of the promoters of that company?—A. Of the Northern Farmers' Dairy.

Q. You have sold shares for the company?—A. Yes.

Q. Are you aware of the number of shares sold by that company?—A. Shares have been sold in the amount of $16,754.

Q. What has become of those shares, Mr. Chartrand; are they worth anything to-day?—A. They are not worth anything.

Q. Is this company in liquidation?—A. Yes, sir.

Q. Can you tell the Committee if milk shippers have incurred any losses when this company went into liquidation?—A. Yes, they did.

Q. The milk shippers have lost money?—A. Yes.

Q. Do you know how much?—A. I could not say exactly, but I believe the amount was about $17,000 or $18,000.

Q. How long have you been in the employ of that company, the Northern Milk Producers (les Producteurs du Lait du Nord)?—A. From August, 1931, until 1932.

Q. And after that?—A. The Laiterie Etoile Incorporee (the Star Dairy) took possession.

Q. You secured employment in the Laiterie Etoile Incorporee?—A. Yes.

Q. Has the Laiterie Etoile Incorporee sold any shares to farmers?—A. No, none at all.

Q. Now, the shares which have been sold by the first company have been sold, I assume, to milk producers?—A. Yes, to milk producers.

Q. It was probably the inducement offered to farmers for buying those shares?—A. That is to say, I had already been concerned with organization work and a few farmers held a meeting to discuss the project of starting a dairy which would be known under the name of the Laiterie des cultivateurs du Nord. There was a meeting held and several farmers subscribed $100 each in order to form the company.

Q. Is this number of shares which were sold the whole capital of the company or is it only the number of shares sold to the farmers?—A. Just the shares sold to farmers.

Q. Can you tell us the total amount of the shares sold or subscribed, or paid for?—A. Shares have been sold in the amount of $28,000.

Q. Sold?—A. Yes, and paid for. The others have been taken up by other persons as milk shippers.

Q. Now, Mr. Chartrand, have you taken any part in the settlement of the milk producers' strike in 1929?—A. Certainly, because I was president of the milk producers' association.

Q. Then, being the representative of the producers, you were the one to negotiate with the milk distributors?—A. Exactly.

Q. At that time, then, you had no interest in any dairy?—A. None at all.

Q. Therefore, you are familiar with the agreement arrived at between the producers and distributors?—A. Of course.

Q. Was the agreement in writing?—A. No, it was a verbal agreement.

Q. Now, since 1929, after the agreement, or about that time, in what manner have you been interested in the milk industry in Montreal?—A. Before that time?

Q. When the agreement was concluded, after the agreement had been concluded.—A. It is then that we found out that the farmers who had subscribed to the agreement were deriving no further benefit therefrom.

Q. Immediately after the agreement?—A. Yes, sir.

Q. Are you aware that the agreement between the distributors and the producers, the verbal agreement, has been observed for some time?—A. Yes, for a very short time.

Q. What has happened?—A. Well, . . . It had been understood in presence of the Honourable Mr. Perron, then minister, and in presence of the members and representatives of the interested parties that each side should make concessions, that there should be no ill feeling against any one, that the employers would be reinstated and that everything should be run smoothly. This went on for a few months, a couple of months. Unfortunately, we realized that certain individuals were not keeping their promises, and that a few suppliers were not being fairly treated.

Q. Are you aware that the agreement was not observed in respect of prices also?—A. Yes.

Q. In what manner?—A. Several of them did not follow the set prices. I would even say that when the association held a meeting later on I was not even notified that this question was to be discussed with the big companies of Montreal. The provincial organization, with a membership of 3,500 farmers, was ignored. Then, the big companies had a meeting with the English section and we had not been notified. It is only a few days after the prices had been set that we had any knowledge of it.

Q. You did not know the prices then?—A. They could not be discussed.

Q. What do you mean by the English association?—A. The English association was represented by Mr. Black, I mean the South Shore Association of the County of l'Assomption.

Q. So you have two associations?—A. Yes, two.

Q. Who do not meet together; they are separate bodies?—A. They do not meet now. The first time it happened, was when the question of a strike was was brought up; then we were acting together.

Q. We have heard, Mr. Chartrand, of milk being bought at less than the agreed price between the association and the distributors; this is usually called bootleg milk; do you know anything about it?—A. No, because I can assure you that our company, since its organization—it can be proven by showing the books I have with me—has never paid skim-milk prices for its milk; we have always bought our milk at prevailing prices. Probably other companies may have sent a report that they had paid a surplus at skim-milk prices. I heard of it myself, but I can only speak for our own association.

Q. You say that the Star Dairy did not buy any bootleg milk, that is below the set prices?—A. We never bought any bootleg milk. We paid the same price to suppliers in good standing for the surplus which they shipped to us.

Q. Is the price by the hundred weight which you gave us a few minutes ago the price set by the Producers' Association?—A. Unquestionably.

Q. And for the milk surplus?—A. No, about the milk surplus, we have skimmed the milk and we paid the farmer according to the same price.

Q. Is your company in the cream business?—A. Very little. We sell perhaps a small quantity of cream at 10 per cent, but our cream and butter business is hardly of any consequence.

Q. About that cream business of yours, does that cream come from the milk you skim yourself or do you buy it?—A. It comes from the milk skimmed by us.

Q. In your opinion, is the cream business as profitable or more than the whole milk business?—A. When we can have a reasonable market for sweet cream, I believe it is just as profitable.

Q. You are not prepared to say there is more money in it?—A. No, it may be about the same.

Q. Can you give the Committee, Mr. Chartrand, the average price paid by you for every quart of milk you have sold; I am speaking of the whole milk?—A. The cost of milk is 15·5 cents per gallon, delivered to the homes.

Q. I am asking you the price paid by you to the producer, Mr. Chartrand, for each quart.—A. We buy by the hundredweight.

Q. Anybody can make out the figures; have you not done so? You have told us the cost of milk per gallon which you sold. How much does a gallon of milk cost?—A. 15·5 cents.

Q. Is the cost including only what you pay the producer?—A. No, the manufacturing cost means 10·8 cents more.

Q. What do you mean by that? If it were 16 cents, this would be 4 cents a quart. Is that the price you pay at your plant?—A. Yes, at our plant.

Q. Have you the average sale price?—A. Yes, the average sale price brought us a return of 25·3 cents. This includes delivery charges. We must not forget that this price includes the buying price, the pasteurization charges which come to 2·1 cent per gallon, and the delivery cost is set at 6·4 per gallon.

Q. You have no pasteurization equipment?—A. Yes but it costs us 2·1 cents for operation.

Q. What is the delivery costs?—A. 6·4 cents per gallon; overhead, 2·3 cents per gallon, or a total of 10·8 cents. We have bought at 15·5 cents which is the price we have been paying to the farmer.

Q. We have then 26·3 cents per gallon. You are giving me, Mr. Chartrand, the cost of the milk you buy but not of the milk delivered to the consumer?—A. Yes.

Q. Now, what is the average sale price?—A. I would advise you that I am now giving you the price for the first two months, from October 5 to January 1 when we had just started. The milk brought us a return of 25·3 cents per gallon, or a deficit of $927.46.

Q. How can you explain that? 25·3 per gallon: this means about 6 cents and a quarter per quart?—A. Precisely.

Q. You do not sell your milk above 6·25 per quart?—A. No, I am speaking of the average. We are selling only 10 per cent of our milk directly to the consumers. We sell chiefly to wholesalers' milk stations or jobbers.

Q. What is your selling price to wholesalers?—A. Some of it, at that time was selling at 24 cents to wholesalers.

Q. To whom?—A. To grocers.

Q. By the bottle or in bulk?—A. By the bottle, in quarts, but we do handle milk in cans.

Q. Therefore, all the milk you are selling to grocers since your company is in operation is sold at the price of six cents and a quarter per quart?—A. Up to January the 1st.

Q. And after January 1?—A. Presently it is between 20 and 22 cents, which is not the same thing. I have the other balance sheets covering the operations for the other two months.

Q. Will you produce those balance sheets?—A. From January 1st to March 1st we have sold 860.343 pounds of milk and paid the farmers the sum of $11,165,.55.

Q. What is the average per hundredweight?—A. $1.29.

Q. Between January and March?—A. Yes, up to March 1st.

Q. Delivered to the plant?—A. Yes.

Q. Is that the association price, Mr. Chartrand? You are giving us the average, do you?—A. Yes, the average for all.

Q. Can you give the Committee......you have here two different prices for the same period?—A. Yes, because the prices have changed.

Q. Will you give us each change in the prices?—A. The first half of February, we have paid $1.35 per hundredweight until the middle of February; from the second half of February we have paid $1.60 per hundredweight, with the exception that in the latter half of February we have paid to some suppliers $1.70 because we felt that their milk was worth more and we wanted to reward them for the trouble they were giving themselves.

Q. Now, what price are you paying since March 1st?—A. I have not those prices here; the balance sheet is not complete.

Q. You say that you sold your milk 25 cents per gallon to wholesalers?—A. Yes, for the first two months.

Q. What are you selling it at now?—A. Later on.... that is, we have paid it 26·3 cents and we have sold it 25·3, making a deficit of $927.46.

Q. For which period?—A. From October 5 to January 1st.

Q. Your company has lost?—A. $927.46.

Q. And since then?—A. From January 1st to March 1st we have made a profit of $1,743.45.

Q. How do you explain this profit compared to your previous loss?—A. It is because the milk has been sold when it was costing more money. At the beginning of our operations we sold only 788,130 pounds of milk against 860,343 pounds, which did not require a larger staff and the operating costs have been reduced on account of handling more milk in our pasteurization plant.

Q. Vendez-vous aux magasins en series?—A. Non.

Q. You only sell to grocers?—A. Yes.

Q. Before being connected with the Northern Farmers Dairy, Mr. Chartrand, were you interested in milk distribution, Mr. Chartrand?—A. No, not in milk distribution.

Q. You have told me that you were interested in a company known under the name of The Milk Producers' Dairy?—A. Yes, the Milk Producers' Dairy at that time. That was the first organization, after the strike.

Q. Then its name has been changed?—A. Yes, the name has been changed.

Q. Is it a new corporation?—A. Yes, sir.

Q. What has happened to the first organization?—A. The first one became bankrupt.

Q. Had any shares been sold to farmers?—A. Yes, sir, a large number.

Q. Do you know the capital of the corporation or the number of shares which have been paid for?—A. When the company was incorporated, the capital was $199,000.

Q. How many shares were sold, do you know?—A. Certainly for more than $60,000 worth, excluding $35,000 paid in by the Government at the time.

Q. How is it that the Government paid in some money?—A. Probably in view of helping them and co-operating to the extent of $35,000, which would be of assistance to the producer, at that time.

Q. You mean the provincial government of Quebec?—A. Yes, the Quebec Government.

Q. They have paid a grant to the Association?—A. Yes, $35,000.—A. And $60,000 of shares were sold to farmers?—A. Yes.

Q. Sold and paid for?—A. Yes, all paid for, the most part of it has been paid.

Q. How long has this company been operating?—A. Two or three years, I believe, almost three years.

Q. During those two or three years, the provincial government of Quebec paid $35,000 as a grant, or call it any other name, and shares have been sold for the amount of $60,000?—A. Yes.

Q. And which have been a complete loss?—A. A complete loss.

By Mr. Bouchard:

Q. Are you speaking of a company or of a co-operative organization?—A. It was a stock company at the time.

By Mr. Gobeil:

Q. Are you sure, Mr. Chartrand, that you do not make any mistake when you state that the Quebec Government granted $35,000 to this company?—A. certainly.

Q. At the time, were you familiar with the business, were you in the business or were you an employee?—A. I knew much about it at the time.

Q. Can you give the Committee any reason why the Government gives to a private company $35,000 of the public funds?—A. I understand it was a loan, but that, later, the Government agreed to leave it stand as a loss, on condition that part of it went to the farmers affected by the failure.

Q. Did the shareholders receive a certain amount?—A. Yes, later.

Q. Do you know whether any milk producers lost money as well?—A. Yes, a good deal.

Q. At the time of the settlement, were the milk shippers treated in the same manner as the shareholders?—A. In about the same manner. I know that, at the time, the organization was composed of 184 interested parties, I believe, who had an active share in the Company and who all wanted to ship their milk. As there was too much milk for the distributors, the greater part of it was skimmed. The shippers were too numerous in comparison with the number of distributors and the Company paid too high a price for the milk, which it was unable to resell at a profit.

Q. Mr. Chartrand, when you were in the employ of this milk producers' company, you were receiving a salary?—A. Yes.

Q. You know what you are talking about, then?—A. Yes, at the beginning, certainly. I was not with them till the end. At the time of the failure I was no longer connected with them.

Q. Are you aware that other companies in Montreal of about the same kind—milk distributing companies—have failed since then?—A. Yes. I do not know how it happened. I know that the Lachine Company failed, that Mr. Legault, of Pointe Claire, failed, and other small dairies as well, such as the Victoria.

Q. If any inference is to be drawn, it is that in Montreal it is simply a matter of organizing a company, selling shares to the public, spending the money, and then going out of business.—A. In that connection I must say that the object has not always been an evil one. I know that many organizers have lost heavy sums without their being anything dishonest about their operations.

Q. Now, Mr. Chartrand, you have said that your milk cost you 15·5 cents a gallon?—A. Yes.

Q. That was the price to the farmer?—A. Yes.

Q. You also stated that you had paid an average of $1.39. I do not want to put you in a bad light. My reason for asking you that is that I want some information about this 15·5 cents a gallon.—A. I wish first to point out to you that we have had to buy some of our milk from another company. Our supply being insufficient, we had to purchase from Mr. Clouatre, of Henryville, 13,933 pounds, which cost us $1.60 per 100 pounds. This naturally increased our price. That explains the difference between the figure I give and the Associations' price, $1.39. When I say that our milk cost us 15·5 cents a gallon, I say that that price was paid to the farmer, as we had to buy some at a higher price and that is why it cost us 15·5 cents per gallon.

Q. Who is Mr. Clouatre? Does he own a butter factory?—A. He holds a permit from the City to ship milk and he is equipped for that purpose. Nearly all the Montreal dairies receive milk from him. He travels regularly every day.

Q. Is he not one of the bootleggers of milk?—A. No, we have never had any complaints. I inquired at the City Hall and found out that he complies with the by-laws. He has a permit to buy milk.

Q. I do not wish to mention names; that would be indiscreet. But I am informed that certain individuals dealing in milk have a licence to deliver milk. I understand that there is one in the Town of St. Johns, and others elsewhere, who go in at the same time for bootlegging at night. Supposing your Company needs one hundred cans of milk. He goes to the farmers and gets that milk

from them. He sells it to you or to other companies and delivers it to you during the night at the price agreed between him and the dairies. . . .—A. As to that, I do not believe. . . .

Q. You have no knowledge of that having been done?—A. No, because Mr. Clouatre is obliged to place on each can a label bearing the name of the person who supplied the milk, and the company itself is obliged to report each day the names of the persons from whom it received shipments of milk through Mr. Clouatre.

Q. Those are City by-laws?—A. Yes.

Q. In spite of the City by-laws you must know that bootlegging of milk is being carried on in Montreal?—A. Probably, but I do not think it is done by Mr. Clouatre.

Q. What reason do you advance for paying a higher price to Mr. Clouatre than to the farmers?—A. He naturally takes advantage of the fact that the Company needs his milk to exact a higher price. It suited us better to buy from him than to take a surplus of milk from the farmers and to be obliged to skim it. However, we have always paid to the farmer the price agreed upon. That made a considerable difference, but it was better, as the average would have been lower. As you are aware, in the milk business a larger supply is required in certain weeks than in others and it is better to maintain a reasonable average. Some weeks a certain number of thousands of pounds are required, and at other times business is poorer.

By Mr. Bertrand:

Q. In your first company, La Laiterie des Producteurs, Incorporée (Producers Dairy, Inc.) you were on salary?—A. Yes, sir.

Q. What was your salary?—A. It has always been $20 a week as it is now.

Q. Do you mean to say that your entire salary in any organization has never been higher than $20 a week and that that is what you are earning at present.—A. Absolutely.

Q. You have never received a higher salary in any association you have organized?—A. I have never been paid by the associations. It is the salary I have received from the companies as I have just proved it.

Q. Who is president of the present company?—A. Mr. Raoul Leonard.

Q. What is Mr. Leonard's salary?—A. $40 a week.

Q. Has that company any directors?—A. Yes, sir.

Q. How much are they paid?—A. Not a cent.

Q. Is there a secretary?—A. Yes.

Q. Who is he?—A. Mr. Antonio Leonard. He gets $19, but only since 15 days. He formerly got $16.

Q. Can you explain to the committee how it is that Producers Dairy Incorporated has suffered such heavy losses, including $35,000, which, according to your statement, was supplied by the provincial Government, and $60,000 supplied by the farmers, apart from the investment of the organizers themselves?—A. I may say that I was connected with that company for a short time only. I did not like its organization or its administration. It seemed to me that it was misdirected and that its officials lacked the necessary knowledge of the business.

Q. Who were the officers of that organization?—A. At the time there was a Mr. Matte, of St. Therese. He was the manager and received a regular salary.

Q. Of how much?—A. $40 a week. The secretary was Mr. Moise Bassette, of St. Johns.

Q. What was his salary?—A. $35 a week.

Q. Who was president of the company?—A. Mr. Pierre Trahan. He received no salary.

Q. The first organization had approximately how many employees?—A. Probably 45 in all, at the time, including delivery men.

Q. How long did it take to make these losses and lead the company into insolvency?—A. About three years.

Q. The company operated three years and became insolvent?—A. Yes.

Q. How much returned to the farmers on their shares?—A. Nothing.

Q. It was a total loss?—A. As regards the shares.

Q. You said that $35,000 had been loaned by the provincial government and left on condition that the shareholders should receive part of the money?—A. Those who had money owing to them for milk; that sum was to be used to pay part of what was due for milk.

Q. Do you know what amount, over and above the $35,000 used to pay part of the debt due to producers for milk, was lost by farmers in the organization, and when they were paid?—A. For their milk?

Q. Yes.—A. I cannot say, but the amount is fairly high.

Q. Can you say approximately how much?—A. I should think certainly $50,000.

Q. Or thereabouts?—A. Yes.

Q. Over and above the $35,000 of the Province and the $60,000 of the shareholders?—A. Yes.

Q. How much had been subscribed by shareholders other than farmers?—A. The by-laws provided that no one could hold more than $500 in shares, in order to equalize holdings and prevent having large and small shareholders.

Q. Apart from farmers, how many persons had subscribed?—A. About forty shareholders were not farmers.

Q. How much did they lose?—A. Their loss ranged from $500 to $100.

Q. Have you the approximate amount that these people lost?—A. No. It must be from five to six thousand dollars, perhaps seven to eight thousand dollars.

Q. The organizers lost from five to six thousand dollars in your organization, while the milk producers lost $60,000 in shares and $50,000 in produce?—A. If I understand rightly, you speak of organizers, but it is the farmers who joined together to form this company. The organizers sometimes visited the villages and called on the merchants or the bakers and these people bought shares to help the agricultural class.

Q. They were holders of shares?—A. Yes, apart from the producers.

Q. Now, in the second organization, I understand that the farmers lost a further $16,000 in shares?—A. Only $8,000 had been paid up.

Q. You sold in all $28,000 of shares?—A. Yes.

Q. And $12,000 was lost in addition to that?—A. The farmers who each had a $100 share lost it.

Q. But there is a difference of $12,000 between the $16,000 and the total subscription of $28,000?—A. My father and other persons held a certain portion.

Q. How much of the $12,000 was paid up?—A. Not a single one was paid up.

Q. Therefore, the $12,000 subscribed was not paid up by anyone else but the producers, and the total loss fell on the producers?—A. Yes.

Q. To what amount?—A. As I said just now, I think it is 16 or 17,000 dollars—I do not think it is as much as that—perhaps $10,000 at the most.

Q. How long was that company in operation?—A. From September 1, 1931, until the failure, the following year.

Q. How many years does that make?—A. One year.

Q. Consequently, in the course of one year, the farmers lost $8,000 in paid-up shares and $10,000 in produce?—A. Yes.

Q. Who was the president of that association?—A. I was, at that time.

Q. Who was the secretary?—A. Mr. A. D. Savageau.

Q. At what salary?—A. $30 a week.

Q. Your salary, as president was $20 a week?—A. Not at the beginning.

Q. Afterwards?—A. I was mistaken when I stated just now that my salary was always $20 a week; I received $30 for a few weeks only.

Q. Who were the officers in receipt of a salary?—A. Mr. Antonio Leonard.

Q. The same Antonio Leonard you mentioned a moment ago?—A. Yes.

Q. What was his salary?—A. $30 a week.

Q. That being so, what reason do you advance for the losses suffered in the space of one year?—A. There are many. Buildings, horses, wagons, etc., cost some $72,000 and we lacked sufficient funds to meet notes falling due at the bank.

Q. And you thereby became insolvent?—A. Yes.

Q. Did the shareholders get anything out of the bankruptcy settlement?—A. No, nothing.

Q. It was a total loss?—A. Yes.

Q. Who got the buildings?—A. It is in the buildings that my father placed a larger sum in the second place.

Q. Your father bought them in?—A. They were purchased by Raoul Leonard. My father lent him a large part of the money.

Q. Therefore your father bought them?—A. No, it was Raoul Leonard.

Q. Raoul Leonard bought in the buildings comprised in the bankruptcy of this organization in which he was supposed to have subscribed a large sum of money, nearly $12,000, but not a cent of which had really been paid?—A. Absolutely.

Q. Then, after the bankruptcy, your father bought in, through Mr. Leonard, a property in which he had not invested a single dollar in the first place?—A. My father did invest money in the first place.

Q. You stated just now that the $12,000, which was the difference between $16,000 and $28,000, had not been subscribed in the second organization.—A. Yes, by the farmers.

Q. I asked you how much had been subscribed by others than farmers?—A. It is then that I said $10,000 to $12,000. My father had a portion of that.

Q. That had been subscribed?—A. That had been subscribed and fully paid up.

Q. Which organization is that? the second?—A. It is to the first organization that I refer at present.

Q. The second organization?—A. My father did subscribe to the second organize.

Q. How much did he subscribe?—A. $12,000.

Q. $12,000, paid-up?—A. $12,000 paid up.

Q. How much was paid when he purchased the third organization, now known under the name of Star Dairy?—A. It is Raoul Leonard who bought it, for $44,000.

Q. He bought it back for $44,000 with your father's money?—A. He bought it with my father's money. He invested some money in it.

Q. Who owns the Star Dairy Company?—A. Raoul Leonard purchased the company.

Q. Who are the shareholders?—A. I can give you their names. There is my father. . . . . .

Q. For what amount?—A. $12,200.

Q. Fully paid?—A. Fully paid. Raoul Leonard, according to the charter itself, invested $100.

Q. Who?—A. Raoul Leonard.

Q. Raoul Leonard invested $100, according to the charter itself, which entitled him to shares, as in any other company. Miss Lucille Daignault, who secured the charter, and Joseph Saint-Onge.

Q. How much each?—A. $100 for those. Then there was other stock sold, up to April 1, to the amount of $6,000.

Q. To whom?—A. To Mr. Guindon, to Fernand Chartrand, who invested $2,000 fully paid, and to Messrs. Lasalle, Lavoie, Boissard, Renaud, Gervais, Tetreault, and Prevost, who invested $500 each. These men are milkmen. Their shares amount to $3000 and are paid.

Q. All these are producers?—A. No, they are milkmen who get their milk from us.

Q. They are distributors who take their milk from you?—A. They are distributors who take their milk from us.

Q. The last named organization operated at a loss?—A. It operated at a loss for the first two months.

Q. You are speaking of the last organization, the Star?—A. The Star. I will show you by the figures that from October 5 to January 1, the company lost $947, and that from January 1 to March 1, it made a profit of $1,743.55.

Q. How long have you been in the dairy business?—A. I have always been a farmer. I have always followed dairy matters rather closely. It is when I organized the Milk Producers' Association that. . . . .

Q. How many years have you been in business for yourself or been interested in a company doing business with milk distributors?—A. Some time after I left the Milk Producers' Association, I organized, in 1931, the Northern Farmers' Dairy (*La Laitérie des cultivateurs du Nord*) 1930, 1931, 1932.

Q. You had not been engaged in milk distributing prior to that date?—A. No.

Q. You have been engaged in milk distributing only since 1931?—A. Since 1931.

Q. What are the Company's present buildings worth?—A. The balance sheet gives them a value of $66,875.52.

Q. On which you owe how much?—A. The total balance due is $29,000.

Q. Did your father, who had invested $12,000 in the second organization, reinvest $12,000 in the third organization?—A. $12,200, paid up.

Q. Making an investment of $24,000, or is that shares?—A. No, the shares were not counted in the second place; it is new capital.

Q. For the $24,000 invested by your father in that company, you have to-day a dairy valued at——?—A. $66,875.52.

Q. On which you owe a balance of $29,000?—A. $29,000.

Q. Including the money you owe to your father?

WITNESS: The liabilities of the first?

Q. No, the $12,000 subscribed by your father?—A. Besides the $12,000, we owe now $29,000.

Q. The L'Etoile Dairy Company owes $29,000?—A. Yes.

Q. Any other liabilities?—A. Only those comprised in the $29,000. Certainly they owe money.

Q. To whom do they owe the $29,000?—A. I have here the balance sheet showing the liabilities, prepared by a chartered accountant. There is a first mortgage of $12,000.

Q. Who are the mortgagees?—A. Les Clercs Saint-Viateur.

Q. Go on?—A. There is a mortgage with accrued interests on all the plant.

Q. Who are the mortgagees?—A. The Trudel Company.

Q. How much?—A. Three thousand dollars were paid recently. I am giving you the financial statement as at December 31. It is as at December 31, I want it to be clearly understood.

Q. How much do you owe to the Trudel Company?—A. Twelve thousand odd. A payment of $1,000 was made yesterday.

Q. Who are your other creditors?—A. We still owe $400 on a truck, the balance—

Q. The balance is a surplus for the company?—A. —

Q. Then, all those reorganizations gave you assets worth $66,000?—A. $66,000.

Q. On which $29,000 remain to be paid?—A. On which we owe only $29,000.

Q. And the surplus is for the present credited to the owners? Who are the present shareholders?—A. I gave you their names.

Q. Name them again?—A. First of all my father, Raoul Leonard; Lucille Daignault; Saint-Onge; myself; Guindon; Fernand Chartrand, a cousin of mine, who invested $2,000, paid in. A Mr. Lasalle, a Mr. Lavoie, a Mr. Boissard, and Messrs. Renaud, Gervais, Tetreault and Prevost.

Q. How much have those people invested?—A. $15,500.

Q. $15,550?—A. $15,550.

Q. Then, with liabilities totalling $20,000, plus subscribed shares to the amount of $15,000, a total of $44,000 due by the L'Etoile Dairy Company, you have a surplus of 20,000 odd dollars?—A. Yes.

Q. Which means a loss to the farmers in the first reorganization, but you built, you expanded, you failed, you caused a loss to the farmers, to the milk producers, to the shareholders; then you reorganized the company, made a new start, failed again and to-day you have a surplus of assets over liabilities of $22,000 for the benefit of the shareholders you just named?—A. If I understand well, when you say I have organized my business, failed, reorganized again, failed again—

Q. I said the companies, the organizations, I did not say you, I have named nobody. And you have to-day a surplus of $20,000, after all those reorganizations, for the benefit of those you named a moment ago?—A. For the benefit.

By Mr. Gobeil:

Q. Mr. Chartrand, no milk producer is shareholder of the present organization?—A. None.

Mr. Bertrand: I would ask Mr. Chartrand to furnish the clerk with a copy of his financial statement.

Gerald Desjardins, called and sworn.

By Mr. Moore:

Q. What is your address?—A. The address of the company I represent is 6750 Garnier street.

Q. Are you president of a company?—A. No, I am only general manager of the Ferme Saint-Laurent Limitee.

Q. Have you anything to say before answering questions?—A. I would point out to the Committee that our dairy is entirely different from those already examined here, because we have no personal run. We buy milk for our shareholders who, in turn, deliver it for their own account. We only charge them for pasteurization and we buy as many gallons of milk as we need, which we sell with a pasteurization charge varying little throughout the year. We are a limited company with an authorized capital of $85,000, of which only $24,000 is subscribed, divided into $12,000 of common shares and $12,000 of preferred shares. Each one of our 48 shareholders subscribed $500 and owns a milk run. Each one of our shareholders is also a milkman and owns shares to the amount of $500, no more, no less, in the company. Our dairy is managed

by a board consisting of the president and six directors—a vice-president and five directors—authorized to order the transaction of the company's business through me as general manager. Any questions?

By Mr. Bertrand:

Q. Mr. Desjardins, how much are you charging to those milk distributors who are shareholders?—A. The charge varies as occasion requires. The average charge for pasteurization is now 5 cents.

Q. 5 cents per....—A. 5 cents per gallon for pasteurization. That is, we buy our milk at the purchase price. Our milk is bought at $1.35, $1.50 or $1.60 according to the month of the year, and we charge our dealers 5 cents for pasteurization; the price of our milk is thus 18 cents per gallon.

Q. Do you buy that milk....—A. We buy that milk direct from the rural distributors.

Q. You buy from your shareholders only?—A. No, we buy from rural producers and we distribute the milk to our shareholders.

Q. How much do you pay for your milk?—A. In January, 1932, $1.55; in February, $1.55; in March, $1.55; in April, $1.15 the hundredweight. In May, June, July and August, $1.10; in September, $1.15; in October, $1.25; in November, $1.35; and in December, $1.60.

Q. The cost of transportation is left to the farmer?—A. Yes.

Q. Have you a surplus of milk?—A. At the present time, each one of my customers is notified, is free to keep the surplus. He is notified for Christmas, New Year's Day and for the three months period from April to June, and for July in years when there is an over abundance of milk; he is notified to keep the surplus or sell it at skimming prices.

Q. You have given your prices for 1932. Could you tell what was your surplus for 1932?—A. In 1932, we had a surplus of 5 and 4 per cent for skimming.

Q. How much did you pay for it?—A. On January the 1st, the customers had to keep their milk. On a quantity of 5,000 gallons, there was only 3,600 gallons for January. They were paid at the time $1 for the surplus. For May, June and July, they were paid 75 cents for the surplus.

Q. Was there a surplus during the other months?—A. In August, September and October, I had a monthly surplus of about 600 gallons.

Q. You said that you charged 5 cents per gallon and that includes pasteurization?—A. Those are all our dairy expenses.

Q. You charge 5 cents per gallon for all operating costs?—A. We charge 5 cents per gallon for all the operating costs of our dairy.

Q. You charge that for buying milk, to pasteurize it....—A. To buy milk, to pasteurize it, to resell it to our dealers.

Q. As well as to place it at the disposal of your 48 shareholders each owning shares to the amount of $500, and upon a capital of $85,000 only $24,000 have been subscribed, $12,000 in common shares and $12,000 in preferred shares?—A. Yes.

Q. How much was paid on the preferred shares and what is the amount per share?—A. The amount is equal on the $24,000 worth of shares. On January 1, 1933, the balance was only $1,628; that would represent $814 per common share and $814 per preferred share.

Q. You are mistaken in saying $814. There is due $814?—A. Due.

Q. What is the value of a preferred share?—A. $25.

Q. At par?—A. Yes.

Q. And the common share?—A. $25.

Q. And what is its value at par?—A. At present, our shares were sold at the inception of the company. Our dealers had to take $500 worth of shares for entitlement to shareholders' terms and prices. He was told this: "Take $500

worth of shares." Originally, as we necessarily needed money, they were given a discount of $100, and since a year and a half we charge a premium of $100 for the $500; we charge $600 instead of $500.

Q. Does that apply to the common shares?—A. That applies to the preferred as well as to the common shares.

Q. Then, the common shares are worth $25?—A. Yes, Yes.

Q. And the preferred shares, $25?—A. Yes.

Q. What were your operating profits last year, 1932?—A. $8,763.19.

Q. Including the profits left after deduction of operating costs?—A. Yes.

Q. Was that amount distributed among the shareholders?—A. No.

Q. Where does that money go?—A. It is accumulated, as we shall have to expand and repair. Then, in view of the necessary repairs, the profits are accumulated each year. After five years, the accumulated surplus amounts to $17,484.62.

Q. Have you paid dividends on your shares since your inception?—A. No.

Q. Never?—A. Never.

Q. To nobody?—A. To nobody.

Q. Please give me the names of the board members?—A. The board consists of the president, Mr. Lecavalier.

Q. What is his salary?—A. $50 per year. The vice-president, Mr. Tessier, $100 per year, because he also signs the cheques. Next come the directors, all at $50 per year: Messrs. Eugene Gervais, D. Morrisette, J. Carriere, Paul Toupin and R. Jette.

Q. $50 per year?—A. $50 per year, except the vice-president, who draws $100 on account of extra work.

Q. And your secretary?—A. I am the secretary.

Q. What is your salary?—A. $1,950 per year, in monthly payments. I am secretary, manager and accountant.

Q. You gave me a moment ago the prices you paid for your milk in 1932? —A. Yes.

Q. Would you tell me how much you sold that milk?—A. It is sold to our dealers with a five cents charge for pasteurization.

Q. Do you know how much these distributors sell their milk per quart?—

WITNESS: At the present time?

Q. In 1932?—A. In 1932, competition set in during the last year. There are all sorts of prices. There is no regular price in the city. We are unable to fix a price. The dealer owns his run and may sell for the price he wants. We try to keep him as much as possible within bounds in order to safeguard our trade. However, they may sell milk at 20, 21, 22 cents per gallon, and, in private, up to 8, 9, 10 and 11 cents per quart.

Q. Your working expenses are 50 cents per hundredweight of milk, or 5 cents per gallon?—A. Yes. I do not say that they are fixed expenses. They vary as occasion requires. All the shareholders are interested. It is easy for us, whenever it is necessary, to charge 5 and 5, or to charge 5, or to charge 4 and 8.

Q. What do you mean by 5 and 5?—A. $5\frac{1}{2}$ or $4\frac{1}{2}$.

Q. 4, 5 or 4·8 according to your expenses?—A. Yes.

Q. Milk went down in price on February 27 or thereabouts, this year?

WITNESS: In 1933?

Q. In 1933.—A. Milk went down in price. During the first year of February, we paid $1.35, unskimmed.

Q. And you always resell with the same proportionate charge to your distributors?—A. At $1.35 per hundredweight, milk is sold at nearly 14 cents. The shareholders paid 19 cents.

Q. Are you operating at a profit since the price of milk went down?—A. Yes, because the margin remains the same. The dealer's profit is certainly much reduced.

Q. Do your distributors complain?—A. Yes, a great deal. At the present time, we complain ourselves because our shareholders' accounts have increased by at least 20 per cent during the last three months.

Q. What do you mean by "your shareholders' accounts?"—A. Our dealers owe us at the present time about 20 per cent more than at December 31.

Q. If you fear the inability of your dealers to pay their accounts, do you think your price to the producers will be reduced in consequence?—A. Our expenses remain the same. Our dealers, as well as the producers, need help. If the producer drew more and if milk were selling at a higher price, proportions would be kept and the milk dealer could operate at a profit.

Q. I understand you kept your margin of 5 cents. On the other hand, in order to help your distributors honour their accounts with you and in order to protect yourselves on that account, do you think it will be necessary to reduce again the price of milk to your producers?—A. If conditions remained the same, such a course would be absolutely necessary in order to reduce the price of milk to the dealers.

Q. What is your estimation of the reduction the producers will suffer?—A. At least 2 cents per gallon.

Q. That means 20 cents per hundredweight?—A. That takes an average run of 60 gallons.

Q. How much do you pay?—A. We paid $1.25 unskimmed during the first part of March.

By Mr. Bouchard:

Q. Do you mix all this milk together? You do not take into account the percentage of fat in the milk?—A. We do not pay according to the percentage of fat. However, we do take it into account, because we observe the by-law fixing the percentage of fat at 3·5. If a producer does not bring in milk according to the by-law, he is warned to improve the quality of his milk. The average at the present time hovers around 3·5.

Q. Do you also sell cream?—A. We also sell cream, but even if the milk is below average, it is sold as received. If it contains 3·7 per cent of fat, it is sold with 3·7 per cent of fat. If it is received at 3·5 per cent, it is sold at 3·5 per cent.

Q. Do you think it fair for all the producers to receive the same price? Are those people owners of cows of the same bread? Is the milk of a reasonably uniform quality?—A. It would be better, even for dairies, to pay milk according to the percentage of fat, because the quality of milk would be improved. However, it would mean extra work and extra expenses for certain dairies. Our present state of affairs forbids us any extra expenses.

Q. Would not the producers, the farmers, prefer to be paid according to the percentage of fat? Have they not sent in a request to that effect?—A. Certain dairies pay according to the percentage of fat. It would be necessary to "test" every day, and the testing of the milk from 350 producers would keep three, four or five men busy.

Q. You could take a sample every day, or every week, every fortnight?—A. It would not be fair to the farmer. To-day the milk may contain 3·5 per cent of fat, and to-morrow only 3 per cent.

Q. If he brings in about the same quantity of milk and if you take a sample every day and make a weekly test, the milk would keep well. Such is the method generally followed in the butter factories.—A. The accumulation for seven days would amount to about 25,000 bottles.

Q. Each producer would have his bottle in which you would put a small sample taken every day.—A. It would be necessary to keep the milk eight days.

Mr. Moore: Milk keeps for eight days.

By Mr. Bouchard:

Q. Such is the method followed in the factories. They even keep it fifteen days. They put a pastil of bichloride of mercury in the milk and it keeps very well. Do you not think that would encourage the dairy industry, our farmers to improve their stock?—A. The customer would benefit in certain cases. On the other hand, at certain periods of the year the customer is unable to furnish the required quality. If his milk tests 3·3 in April and if he is paid the same price—milk testing 3·3 would be of no use to us; we warn him: "Have better milk". He is paid the same price as if his milk tested 3·5. The farmer would be losing then and making up when his milk is too rich.

Q. If the farmer had a herd producing milk of 4 per cent fat and if he skimmed some of the cream to sell it, and I do not see why he would not do it, if you pay the same price for all the milk?—A. If he skims the milk the density will show it.

Q. If he skims a small percentage of it?—A. Perhaps, if he only skims a small percentage of it.

Q. If he does it in a scientific way?—A. Yes.

Q. You would not notice it, would you?—A. No.

Q. I consider the system to be unjust. Of course, if all the producers are satisfied. It seems to me it would not be an encouragement to the production of good milk. The aim is to have herds giving the richest milk possible. On the other hand, I do not think it would be fair to the consumer who is always asking for the richest milk possible. I consider it would be unfair to both.

Q. How do you control the quantity of fat in the milk you receive and the handling of that milk? And when you are sold richer milk, what prevents you from skimming it to some extent, so long as you have the minimum required?—A. The by-law of the city of Montreal checks us. The inspectors come when least expected. The better the quality of milk served to our customers, the better satisfied they will be and we will profit by it.

Q. What is the disparity? On every dollar paid by the consumer to the milk distributor, what percentage goes to the farmer? You charge 5 cents per gallon for pasteurization. Besides that, what is the approximate amount of the distribution costs?—A. I have not the exact figures of the distribution costs.

Q. You have not the average?—A. Except the average of my principal milkmen for a run of so many gallons. . . . . .of course, the price goes up according to the number of gallons sold. If the milkman sells 100 gallons of milk the delivery costs will be much less than if he only sold 60 gallons. But the average run is 60 gallons. On a run of 60 gallons, the delivery costs amount to $12\frac{1}{3}$ cents.

Q. Twelve and one-third cents plus 5 cents, that is 17 cents. And what do you pay for the milk?—A. Thirteen cents a gallon at the present time, in the country.

Q. When the milkman has milk left over, what does he do with it?—A. He brings it back, and we skim it and make butter.

Q. What do you give for that milk?—A. We only allow them 7 per cent. Our milkmen have experience and they seldom bring back more than 2 or 3 per cent of their quantity.

Q. Do you pay for it according to the quantity of fat?—A. No, we reimburse his money.

Q. For the total quantity?—A. Yes, we skim it. In order not to be short of milk we have to buy a surplus of 200 or 300 gallons every day. Those 200 or 300 gallons that they take in the morning they bring back at noon.

Q. Do your distributors compete with one another?—A. Our shareholders do not compete with one another because we control them, we protect them, and we make them understand that if they take a customer away from Paul, Paul will take one away from them.

Q. They do not compete as to prices either?—A. We are in business; we have to fall in line. They may perhaps do it sometimes, but I do not know.

Q. They are responsible to the company for. . .?—A. All our shareholders are milkmen of at least 8 years in business. At least 90 per cent have been in business 8 or 10 years. They have established runs and they do not compete dishonestly to destroy another's business; they only endeavour to keep their customers. We have to make sacrifices, to sell very cheap, hoping to make up later.

Q. Each shareholder is at liberty to make his own price, to sell his milk at his own price?—A. He fills his wagon, buys his milk; it belongs to him, and we cannot tell him "Do this, do that."

Q. Are the profits distributed to the shareholders in proportion to the quantity of milk they buy or on the basis of their share of $500?—A. No. So far, the profits of the company have accumulated and it will probably be so for 3 or 4 years more, to meet anticipated expenses. Each shareholder who has subscribed $500 with us is interested in buying his milk from us, because we sell it to him cheaper than the others. He does not draw any dividend.

Q. They are all on the same footing; they all have subscribed the same amount, but if one sells double the quanity of another, he contributes to a larger extent to the profits of the company.

Q. Is there some kind of a rebate? Will that be taken into account when the profits are distributed?—A. No, but if he buys 100 gallons from us and pays, presently, 18 cents, while he would pay 19 cents elsewhere, he saves one cent per gallon, or one dollar. If he buys 50 gallons, he saves one cent also, 50 cents on the quantity.

Q. Do you believe that to be the ideal system?—A. It is a kind of co-operative organization.

Q. In what way?—A. They are all shareholders who have invested their money and who share in the profits and who pay less than elsewhere for their milk.

Q. There is no co-operative feature in that?—A. They are a group.

Q. In a co-operative organization it is not the capital that earns the profits; Man is the capital, the human capital. In co-operative organizations stock, money is not the main thing. In your case, it would be a co-operative organization if you paid your distributors in proportion to the milk distributed.—A. But, because of the fact that they profit in proportion to the quantity of milk they buy, is it not the same thing? If the milkman bought 200 gallons elsewhere and paid two dollars more for it, are we not allowing him a saving of two dollars?

Mr. Bouchard: Yes, but you cannot call that a purely co-operative system.

By Mr. Gobeil:

Q. Mr. Desjardins, I want to ask you a couple of questions in order to get a little more detailed information. I think a number of members of the Committee are interested in your system. Is the committee to understand that everyone of your shareholders is a milk distributor?—A. Yes. But that does not preclude us from having a few other contracts. 48 shareholders own 58 wagons out of 65, 67 or 68.

Q. How long has the company been in operation?—A. Since 1927, date of the incorporation.

Q. You are the secretary and you look after the whole business; you are the manager?—A. Yes.

Q. You get your instructions from your shareholders who are at the same time the distributors?—A. Yes 7 shareholders chosen among the distributors are the directors, the board of directors who meet when necessary, when I call them.

I call them every two weeks, every month, every two months; they attend the meetings. I say: "I want such a thing." "Buy it." If the amount does not exceed $1,000, I act on my own initiative. I think that has been changed; I do not remember the exact amount.

Q. That is immaterial, anyway; it is a thing to be decided between yourself and the shareholders. You said a moment ago that you charge 5 cents on all the milk you handle for the first stage of your operation. The Committee has asked of several witnesses what they considered a fair charge for pasteurization in order that the Committee might know the cost to the consumers of the by-laws of the city of Montreal, so that the consumer might say: "I pay so much, but there is something else, there is a percentage, there is a cent or two that I pay for better milk because of the processes it undergoes." What do you consider a fair charge for pasteurization, pure and simple, of milk?—A. That is hard to say. That depends on the machines and the building one may have. I pasteurize 4,500 gallons daily.

Q. Could you pasteurize more?—A. No.—Presently I only have space for that quantity. My pasteurization plant, outside of the machines, the building alone, costs me $31,000. I have $44,000 worth of machines. If I had $200,000 worth of machines I could pasteurize more milk.

Q. If you had $200,000 worth of machines you could pasteurize a larger quantity of milk?—A. Modern machines cost very much. For instance, I have a machine to wash bottles. I am putting one up that will cost me four times as much as the first. My pasteurization costs may go up to 5·5 cents.

Q. What do you consider to be your costs of pasteurizing milk?—A. I think that with 5½ cents a gallon....

Q. You must be mistaken. You charge 5 cents, and that covers your buying and handling costs. I would like to know what are your costs of simply pasteurizing a gallon of milk.

The WITNESS: Presently?

Q. Presently?—A. Approximately 5·1 cents.

5·1? You must certainly spend money for buying milk, handling cans and managing your business....A. I am not paying for that. I take the milk as it comes from the country, in cans, I pasteurize it, I put it in bottles and the next morning I have it delivered to the milkmen by my men. All that costs me 5 cents.

Q. You make profits, in the first place, and you have bottling?—A. If, with $8,000 profits, divided by twelve, which gives you about $700 a month, if you can manage with less....

Q. If my memory serves me right, some witnesses left us under the impression that 2 cents a gallon cover pasteurization costs?—A. In my pasteurization costs I include management, bottling, handling and delivery costs.

By Mr. Moore:

Q. But for pasteurization only?—A. For pasteurization only; I have not the figures.

Q. For pasteurization only?—A. Yes, for pasteurization only; I have not the figures.

Q. Approximately?—A. I would say approximately 2 cents, I figure 1·8 cents, but I would not say that those are the exact figures; I have worked that out hurriedly.

By Mr. Bouchard:

Q. In your 5 cents do you include the breakage of bottles?—A. Yes.

Q. That is charged to your company, not to the distributors?—A. Yes, the breakage of bottles, to the dairy. On the road, the distributor is responsible.

By Mr. Gobeil:

Q. Do you sell butter, Mr. Desjardins?—A. We buy some from wholesale houses and we make some; in 1932, about 400 or 500 cases.

Q. Could you tell the Committee how many producers you buy milk from?—A. About 340.

By Mr. Bouchard:

Q. Do you make buttermilk?—A. No.

By Mr. Pickel:

Q. Do you do your distributing?—A. No.

Q. They come to your plant and get it?—A. Yes, they come to our plant every morning and take their load, so much a gallon.

Mr. Pickel: Mr. Chairman, I would be glad if you would have these witnesses file a list of their producers, with their addresses.

By Mr. Moore:

Q. You have the list of your producers?—A. Our producers or our milkmen?

Q. Your producers?—A. No, I could send it to you.

By Mr. Bouchard:

Q. Are they your regular producers or do they change?—A. They are our regular producers who have been shipping to us since the establishment of the company.

Q. They are satisfied then?—A. According—

Q. There are not many complaints; they are satisfied to get a surplus; that must be profitable?—A. Presently, some might have cause for complaint; however, they are notified and they have no kick if there is a surplus of milk; they are all notified. We write to them: We are compelled to tell you to keep your milk on such or such a day; if you sent it to us it will be skimmed and paid for at that price. If they want to keep it, very well; if they ship it, so much the worse for them.

Q. Does the milk generally arrive in good condition?—A. We get no complaint on that account.

By Mr. Dupuis:

Q. Have you any distributors in the country of Laprairie-Napierville, in the south of Montreal?—A. I have some from Napierville, quite a number; I receive from Napierville about 500 gallons of milk per day.

Q. What is the name of that distributor?—A. The man who delivers it, Mr. Conrad Pierre.

Q. He goes to the farmers for the milk?—A. Yes.

Q. With a truck?—A. Yes, now he may have two or three trucks collecting the milk and taking it to the truck coming to the city; they have an arrangement between them, I do not know.

Q. You said you had surpluses in your company?—A. I said we have the farmers keep their milk on the days we are closed, on the 25th of December and the 1st of January, and besides each of our patrons is notified during the months of April, May, June, and sometimes July, to send us the same quantity of milk as in February. Now, if they want to send us a surplus, of course, we have to turn it into butter or cream.

Mr. Spotton: I think this witness understands English very well.

The Witness: A little bit.

Mr. SPOTTON: I know in Toronto some of our Jewish friends who do not understand English when you want some information they do not want to give.

The WITNESS: That is not the reason.

Mr. SPOTTON: Mr. Chairman, what I would like to get is this gentleman's honest opinion as to what, if I were a farmer and were taking a certain number of gallons of milk a day and supplied him with bottles, and he were to sterilize those bottles and pasteurize my milk and bottle it for me, would be a fair price per gallon or per quart for that. He has been saying that he gets five cents per gallon for the general mill run, and when he is asked how much a quart he says for pasteurization only, if he could disintegrate, take apart the overhead for the other business he is doing and charge it up to the other end of his business, so much for his plant and machinery which would be necessary in pasteurization, it should be less than five cents per gallon, but he makes it more, one and four fifths. I understand in Ottawa a farmer who supplies his own bottles and brings in his milk to the milk plants, that they pasteurize it for about one cent a quart, 35 cents for 32 quarts. What I would like to get is this, if you ran your pasteurization plant, and you had a reasonably steady flow of milk to pasteurize, what you could do it for. In the cost of pasteurization you have to charge part of the overhead, add the milk you buy and skim and all this, and I would like to get that, if our French brothers here would try to pull it out of this witness.

The ACTING CHAIRMAN: He understands English very well.

Mr. SPOTTON: If there is a dentist here.

Mr. DUPUIS: Mr. Chairman, I would like to tell the witness if he is not quite sure he understood all that Mr. Spotton said, he may ask for a translation of his remarks.

The ACTING CHAIRMAN: He understood everything.

The WITNESS: No. I understood the gentleman to say a certain farmer had his milk pasteurized at 4 cents a gallon?

The ACTING CHAIRMAN: No.

Mr. BOUCHARD: With your permission. No. He says that if a farmer asked you: "What would it cost me to have my milk pasteurized if I supplied the bottles?" Here, in Ottawa, the charge is 35 cents for 32 quart bottles of milk.

The WITNESS: That is a little more than one cent per quart? That would work out at 5 cents per gallon. Now, is that party responsible for the bottles that may be broken in the handling?

By Mr. Dupuis:

Q. The bottles belong to the party bringing the milk to the dairy.—A. Is the owner responsible for the bottles, if he breaks them?

Mr. BOUCHARD: Who is responsible for the bottles?

Mr. SPOTTON: I would presume the owner.

Mr. BOUCHARD: It would be the plant.

The WITNESS: The cost per gallon works out at 1 cent per bottle for breakage and bottles that are not returned. Thus, if the owner is not responsible for the bottles, that amounts to about 4 cents, for one would have to deduct the price of the bottles, that is the price the bottles cost us.

Mr. BERTRAND: I may state he says the cost of pasteurization in his plant alone is approximately 1·8 cents per gallon.

Mr. SPOTTON: He does not include the bottles.

The WITNESS: We had to deliver milk after; we have to wash bottles and we have to fill the bottle.

By Mr. Pickel:

Q. I thought you said you did not deliver the milk?—A. We deliver to the milkman; we deliver milk to the milkmen.

Q. You just hand it out the door?—A. Yes.

Mr. BERTRAND: It has to be bottled, that is all; 1·8 per gallon.

By Mr. Bertrand:

Q. You stated a moment ago that you charged 5 cents per gallon. Mr. Gobeil asked you to deduct your profits of $700 per month and your other operating costs and you figured that it worked out at 1·8 cents per gallon. Then, your pasteurization cost is 1·8 cents per gallon according to your estimate?—A. Yes, at present, I must state that is approximate; I have not got the figures here.

Q. According to your estimate, the cost of pasteurization alone,—there is no question of bottles—is 1·8 cents per gallon?—A. About that.

Mr. SPOTTON: Mr. Chairman, I want to thank the witness for giving us that last information. I have just one question, and then I am through. Supposing you had a number of farmers with a steady flow of milk, who had two sets of bottles—they would supply the bottles and they would be responsible for breakage in bottles—what could you sterilize those bottles and pasteurize the milk and bottle it for, you not to be responsible in any way for any breakage or leakage?—A. Yes, but now we are responsible. What are you asking for?

Q. What would be— —A. If we will not be responsible, what price we will charge, I don't know.

Q. I beg your pardon?—A. I don't know, we have to—

The ACTING CHAIRMAN: Figure that out.

The WITNESS: Yes.

By Mr. Moore:

Q. Could you figure that out for the Committee and send us the information? —A. The calculation—?

By Mr. Gobeil:

Q. Yes. Figure out the cost of sterilizing the bottles and pasteurizing the milk, and forward this information to the Committee.—A. The cost may vary with the machinery we use in washing the bottles.

Q. Figure this out for your company only. You stated a moment ago that you pasteurized 4,500 gallons per day, or about that quantity. Therefore, you can figure out the cost per gallon. Would you forward this information to the Committee?—A. To the best of my knowledge, yes.

Q. Suppose that I take 500 pounds of milk to your plant and ask you what it will cost to pasteurize and bottle this milk . . . .

By Mr. Bouchard:

Q. Can you pasteurize the milk separately?

Mr. GOBEIL: No.

Mr. BOUCHARD: If that is not possible, why put such a question and ask for these figures? (To the witness) You are asked whether this operation is possible; if I understand correctly, one party brings in 500 gallons of milk and another party comes to the plant with 300 gallons to be pasteurized and bottled separately. Is this possible with our present organization?—A. A customer who says: I have 500 pounds of milk, that represents about 50 gallons, he comes to my plant . . . .

Q. He goes to your plant and you give him back the same milk pasteurized and bottled. Is that possible?—A. We would do it on a contract basis, as we now do; we charge 1 cent per gallon.

Q. Is pasteurization a continuous process, or do you pasteurize each customer's milk?—A. No. All our milk comes in at different hours, from 8.30 o'clock until noon. We receive the milk in the forenoon. We receive 4,500 gallons. The vats are immediately filled. They have a capacity of 1,400 gallons. We pour 1,000 gallons into the tank. Reserve vats feed the tank as it gradually empties. All the milk is mixed together.

Q. Is it possible to pasteurize separately?—A. This is possible, but the cost of such an operation would be considerably increased.

Mr. Ernest Chartrand: (The previous witness) That would be possible if there was a sufficient quantity. There must be, of course, enough milk to reach the mark indicated on the chart.

Mr. Bouchard: Then, I ask the Committee why put such questions if the thing is impossible in theory and in practice? Why ask the witness to figure this out if, in practice, the thing cannot be done?

Mr. Gobeil: Here then, the thing is quite possible in practice if there was such a busines; I understand Mr. Spotton's idea in outlining this kind of organization for the information of the Committee. It is impossible to take 500 pounds of milk from a certain customer and hand him back the same milk. This is similar to the milk skimming process. A customer brings in 500 pounds of milk, another 200 pounds; one will be given 500 pounds of bottled milk and the other 200 pounds of milk also bottled. Of course, this milk does not come from the same cows.

The Witness: We could not do that, even if you were to take all possible precautions; let us take four individuals each supplying 50 gallons of milk, we pasteurize 200 gallons, we cannot deliver 200 gallons.

Mr. Gobeil: This can be easily determined, the average loss can be easily determined.

APPENDIX "B"

THE ST-LAWRENCE FARM, LIMITED

Balance Sheet at December 31, 1932

Accounts			Assets	Liabilities
Common shares		$ 42,500 00		
Subscribed shares		11,800 00		
			$ 30,700 00	
Preferred shares		42,500 00		
Subscribed shares		11,850 00		
			30,650 00	
Furniture			862 60	
Empty bottles—Invent. at Dec. 31, 1932			2,000 00	
Building			14,509 61	
Cans—Invent. at Dec. 31, 1932			80 00	
Notes payable				$ 1,640 00
Bussiere, T.			250 00	
Authorized capital				85,000 00
Heating—Invent. at Dec. 31, 1932			65 00	
Empty boxes—Invent. at Dec. 31, 1932			2,000 00	
Bottle tops—Invent. at Dec. 31, 1932			286 00	
Sundry creditors				12,689 48
Adjustment account				700 00
Sundry debtors			6,708 10	
Bank deposit—Est.—Maisonneuve			259 44	
Deposit—Est.				0 85
Merchandise—Gasoline—Invent. at Dec. 31, 1932			100 00	
Gasoline equipment			847 77	
Realty—Lots, Garnier Street			5,814 04	
M.L.H. & P.—The City of Montreal—Deposits			180 00	
Machinery and equipment			44,013 44	
Merchandise—Invent.—Milk at Dec. 31, 1932			720 00	
" " Cream at Dec. 31, 1932			145 00	
" " Butter at Dec. 31, 1932			300 00	
" " Wyandotte at Dec. 31, 1932			25 00	
Reserve—Furniture				367 75
" Machinery				15,821 47
" Building				1,377 01
" Gasoline equipment				84 78
Surplus				17,484 62
Accounts payable, as per list attached				4,327 40
" receivable, as per list attached			3,501 98	
" " on shares			1,372 97	
Cash:—Cheques issued and not presented at the bank		$ 13,538 36		
Less amount in the bank	$ 5,932 30			
Less amount in hand	1,708 47			
		7,640 77		
				5,897 59
			$145,390 95	$ 145,390 95

Sundry Creditors

J. Cowan Chemical	$ 50 00
Can. Ice Mach	5 06
Cherry Burrell	331 69
Century Coal Co	172 35
Carriere, J.	50 00
De Laval, The	4 05
Excell Petroleum—Gasoline	106 70
" " Re-installation	209 40
Fortin, F.	12 00
Guerin, Cousineau & Lortie	200 00
Hogue, A.	47 70
Jette, R.	50 00
Lambert Hardware	6 83
Linde Can. Refrigerator	200 00
M.L.H. & P. Cons.	226 92
Mongeau & Robert	158 06
Millen Bros	10 30

SUNDRY CREDITORS—*Concluded*

Morrissette, D.		$ 50 00
Purity Milk Cap		330 00
Reed, C. A.		2 20
Trudel & Co., B.		1,989 35
Toupin, P.		50 00
Therrien, E.		1 75
Tessier, C.		100 00
St-Michel Dairy	$ 36 96	
	$ 36 96	$ 4,364 36
		36 96
		$ 4,327 40

ACCOUNTS RECEIVABLE

—		On milk	On shares
		$ cts.	$ cts.
Alarie, Z.		138 27	
Brosseau, A.			216 65
Charbonneau, H.		188 92	
Desrochers, P.			186 87
Detilly, R.		164 70	
Diamond, J.		243 58	
Forget, R			440 13
Foti, P.		97 26	
Foisy, E		193 44	
Gaulin, H.		121 61	
Gagnon, A.		63 21	
Gervais, T.		104 90	
Joannette, J. L.		522 64	
Larivee, J. O.		686 11	
Longpre, A.		69 86	
Canadian Dairy		46 90	
Lecavalier, O.		138 67	
Mercille, E.		141 03	181 61
Mongeau, L.			347 71
Pellerin, A.		148 77	
Racette, H.		119 54	
Renaud, L.		149 94	
Tetreault, A. R.		142 52	
Wray, C.		60 11	
Lecavalier, E.	$ 40 00		
	$ 40 00	3,541 98	1,372 97
		40 00	
		3,501 98	1,372 97

MERCHANDISE—OPERATING ACCOUNT—GASOLINE

Merchandise—Purchase of gasoline	$ 7,693 68	
" Sale "		$ 7,703 53
" Invent. " at Dec. 31, 1932		100 00
Gross profit	109 85	
	$ 7,803 53	$ 7,803 53

MERCHANDISE—OPERATING ACCOUNT—MILK

Merchandise—Invent. cream at Jan. 1, 1932	$ 756 44	
" Milk purchased at Jan. 1, 1932	214,924 44	
" Invent. cream at Jan. 1, 1932	100 00	
" " butter at Jan. 1, 1932	2,442 93	
" Butter purchased	10,356 66	
" Milk sales		$ 269,113 91
" Cream sales		20,060 03
" Butter sales		21,191 15
" Invent. milk at Dec. 31, 1932		720 00
" " cream at Dec. 31, 1932		145 00
" " butter at Dec. 31, 1932		300 00
Gross profit	82,949 62	
	$ 311,530 09	$ 311,530 09

PROFITS AND LOSSES ACCOUNTS

—	Losses	Profits
	$ cts.	$ cts.
Meunier, P.—Cheque	54 10	
Messier, R "	2 11	
Alarie, Z.—Copy of proceedings	...	2 50
Empty bottles	6,141 23	
Empty boxes	1,055 15	
Reserve—Furniture	86 26	
Insurance of employees	276 15	
" " shareholders	578 52	
" sundry	70 60	
Reserve—Building	362 74	
Cans	210 83	
Empty bottles exchange	329 59	
Bell Telephone	241 49	
Heating	3,293 42	
Organization expenses	182 64	
Bottle tops	4,090 37	
General expenses	3,582 07	
Discount—Bonuses and commission on shares	1,556 94	
Water, metered	2,618 05	
Fees—Barrister	200 00	
Ice	1,009 20	
Reserve—Gasoline equipment	84 78	
Income tax	142 52	
Rent—North	234 00	
" East	300 00	
Reserve—Machinery and equipment	4,401 34	
M.L.H. & P.—Light	167 74	
" Motive power	2,678 07	
Merchandise—Wyandotte	1,136 36	
Stationery	274 69	
Sundry permits	149 00	
Repairs to machinery	4,505 83	
" building	2,064 73	
Salaries	23,306 25	
Milk transportation	7,541 57	
Sundry taxes	744 50	
Blanchette, O	16 00	
Chartrand, F	48 85	
Jolicoeur, C	207 33	
Kaporovsky, L	305 63	
Marcovitch, A	50 00	
Martel, A	15 47	
Syrie, P.	345 58	
Scheffer, S.	16 50	
Tremblay, L.	23 81	
Insurance—Beneficiary shareholder		450 00
Consumers Glass		620 11
Discount and interest		144 47
Premium on share		100 00
Benoit, A.—Difference on cheque		0 10
Foucault, Ad.—Cheque		46 68
Labonte, Ph. "		3 40
Mailloux, A. "		7 36
Poirier, A. "		31 11
Merchandise—Operating account—Milk		82,949 62
" " Gasoline		109 85
Net profit for the year 1932	8,763 19	
	84,465 20	84,465 20

Certified correct,

HORACE HOWISNY,

Chartered Accountant,

C. TESSIER, Vice-President.

E. LECAVALIER, President.

L'ETOILE, INC.

(Star Dairy, Incorporated)

BALANCE SHEET AT DECEMBER 31, 1932

Assets

Current,		
Cash on hand	$ 664 84	
Cash in the bank "Special"	340 68	
		$ 1,005 52
Accounts receivable	$ 9,768 19	
Salesmen's accounts receivable	1,503 94	
	$ 11,272 13	
Less reserve for doubtful debts	6,956 50	
		4,315 63
Inventory of supplies		393 63
		$ 5,714 78
Deposit Montreal Light		150 00
Bottles, boxes and cans		3,215 89
Deferred expenses		306 09
Customers		250 00
Fixed tangible assets		57,238 76
		$ 66,875 52

Liabilities

Current		
Overdraft—Royal Bank	$ 1,584 30	
"Loan"—Banque Can. Nationale	200 00	
		$ 1,784 30
Current accounts payable	$ 1,085 92	
Owing to milk suppliers	2,356 01	
Accrued salaries payable	441 25	
		3,883 18
		$ 5,667 48
Balance on machinery and equipment		13,517 96
Mortgages and accrued interest		17,482 50
Salesmen's deposits		279 00
Owing to directors		609 00
Reserves for bonds in circulation		85 74
General reserves		17,634 48
Paid-up capital 125 ordinary shares	$ 12,500 00	
Less deficit	900 64	
		11,599 36
		$ 66,875 52

L'ETOILE, INC.

(Star Dairy, Incorporated)

STATEMENT OF OPERATING ACCOUNTS AND PROFITS AND LOSSES
FROM OCTOBER 5 TO DECEMBER 31, 1932

Total sales		$ 23,684 09
Less Cost of Sales—		
Purchases and supplies	$ 14,671 89	
Labour	888 51	
Depreciation of machinery	366 63	
	$ 15,927 03	
Less merchandise as per inventory	393 63	
		15,533 40
Gross profit on sales		$ 8,150 69
Less Selling Costs—		
Expenses, trucks	$ 1,136 83	
" horses and rigs	1,031 28	
Advertising	3 00	
Sinking fund reserve, trucks, 5%	75 00	
" " horses and rigs, 5%	156 25	
Salesmen's salaries and commissions	3,623 17	
		6,025 53
Net profit on sales		2,125 16
Administrative and General Expenses—		
Insurance	$ 287 50	
Salary, office and audit	443 31	
Office expenses and stationery	76 75	
General expenses	7 89	
Organization expenses	122 29	
Upkeep of buildings	103 90	
Light and power	500 51	
Salary, administration	874 68	
Water rates, municipal and special taxes	174 00	
Telephone and telegrams	51 34	
Stamps	25 80	
		2,667 97
Gross losses for the period		$ 542 81
Administrative Financial Expenses to be Added—		
Interests and bank charges	$ 47 83	
Interests on mortgage	210 00	
Reserves for doubtful debts	100 00	
		357 83
Net losses for the period		$ 900 64

L'ETOILE, INC.

(Star Dairy, Incorporated)

STATEMENT OF OPERATING ACCOUNTS AND PROFITS AND LOSSES
FROM JANUARY 1, 1933 TO MARCH 1, 1933

Total sales		$ 20,665 0[illegible]
Less Cost of Merchandise Sold—		
Inventory to January 1, 1933	$ 393 63	
Purchases	11,939 51	
Labour	703 55	
Depreciation of machinery	152 85	
	$ 13,189 54	
Less inventory at March 1	631 63	
		12,557 91
Gross profit on sales		$ 8,107 11
Less Selling Costs—		
Accessories	$ 560 95	
Expenses, automobiles and trucks	268 60	
Expenses, bottles	219 12	
Expenses, horses and rigs	741 07	
Advertising and travelling expenses	12 00	
Sinking fund reserve, automobiles and trucks	50 00	
" " horses and rigs	106 00	
Salesmen's salaries and commissions	2,385 46	
		4,343 20
Net profit on sales		$ 3,763 91
Administrative and General Expenses to be Deducted—		
Insurance	191 66	
Audit and office salaries	313 76	
Office expenses and stationery	11 77	
Organization expenses	14 35	
Maintenance of equipment and machinery	55 10	
Light, power and heating	512 38	
Salary, administration	531 07	
Water rates, municipal and special taxes	136 00	
Stamps, telephone and telegrams	39 33	
		$ 1,805 42
Gross profit for the period		$ 1,958 49
Administrative and Financial Expenses to be Deducted—		
Interest and bank charges	$ 25 04	
Interest on mortgage	140 00	
Reserves for doubtful debts	50 00	
		215 04
		$ 1,743 45

SURPLUS ACCOUNT

Net profit for the period	$ 1,743 45
Less deficit at January 1, 1933	900 64
Surplus at March 1, 1933	$ 842 81

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, APRIL 7, 1933

MONDAY, APRIL 10, 1933

No. 12

Reference,—Milk and Milk Products

WITNESSES:

Thomas Gamble, President and Manager, Central Dairy Ltd., Ottawa.
E. A. Cousins, President, Ernest Cousins, Ltd., Montreal.

Appendix "B"—Documents filed by Witness Cousins; Borden's Farm Products Co., Ltd., J.J. Joubert Limitee; Guaranteed Pure Milk Co., Ltd.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, April 7, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard, Butcher, Brown, Carmichael, Coote, Donnelly, Dupuis, Fafard, Gobeil, Goulet, Hay, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Pickel, Porteous, Sauvé, Senn, Shaver, Simpson, Spotton, Stewart, Stirling, Taylor, Thompson, Weese, Wilson, Weir (Macdonald).

The committee took under consideration the question of reducing the quorum from 20 members. It was pointed out that more frequent sittings would be necessary to cover the field of the investigation before the close of the Session and that the congestion of committee work generally would make further demands on the time of members of this committee.

In view of these circumstances it was felt desirable to reduce the size of the quorum and on motion by Mr. Spotton in amendment to Mr. Simpson's motion the Chairman was instructed to recommend to the House that the quorum be reduced to 12 members.

A general discussion as to procedure followed when it was the expressed sense of the meeting that witnesses, Cousins, Aird and Hogg be recalled and that witnesses (distributors) from Toronto, Hamilton and Ottawa be summoned.

The committee was informed that tentative arrangements had been made by the subcommittee to take evidence from delegates to the Convention at Ottawa next week of the Co-operative Milk Producers of the Prairie Provinces and British Columbia.

It was the sense of the meeting that the committee should meet more frequently, daily if possible; the subcommittee to take this into consideration and arrange for witnesses and meetings.

A. A. FRASER,
Clerk of the Committee.

HOUSE OF COMMONS,

MONDAY, April 10, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bowman, Bouchard, Bowen, Boyes, Brown, Butcher, Carmichael, Fafard, Gobeil, Lucas, McGillis, Moore, Motherwell, Pickel, Porteous, Senn, Shaver, Simpson, Spotton, Stirling, Taylor, Tummon, Weir (Macdonald).

The clerk read the minutes of the last meeting which were adopted.

The clerk also read several communications from witnesses who had appeared before the committee, directing attention to necessary corrections in evidence submitted.

The chairman laid before the meeting a telegraphic message received by him regarding the calling and hearing of certain witnesses from points in British Columbia and the Prairie Provinces. Discussion followed resulting in the matter being referred to the subcommittee on witnesses.

Thomas Gamble, President and Manager of Central Dairy Limited, Ottawa, was called, sworn and examined.

Witness retired.

Mr. E. A. Cousins was recalled and submitted to examination. Witness retired to appear again at the next sitting.

The clerk was instructed to summons certain witnesses from Montreal to appear at the next meeting.

The meeting adjourned till Tuesday, April 11, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 10, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 o'clock a.m. Mr. Senn presiding.

The CHAIRMAN: I shall ask the Clerk first of all to read the minutes of the last meeting so that the committee may be informed as to what took place.

Minutes read and approved.

Gentlemen, before we proceed with the witnesses, I understand the Clerk has a couple of letters from witnesses who have already filed statements asking that certain statements or corrections be made. I shall ask the Clerk of the committee to read the letters. The first one is from E. W. King, Secretary of the Eastern Dairies Limited, and reads as follows:

> On April 3rd we forwarded to you schedules giving the Agriculture Committee certain information which they requested that we furnish. Through schedule number nineteen we notified you that during the months of January, February, March and April, 1927, the retail selling price of milk per quart was 13 cents and the purchase price of regular milk per hundred pounds $2.41.
>
> This information is not correct. During the months of January, February, March and April, 1927, the retail selling price of milk was 14 cents per quart and the purchase price of regular milk $2.80½. Will you please be good enough to acknowledge receipt of this correction as we are desirous of having the information we furnish to you correct.

The next is from E. H. Conklin, General Manager of Borden's Farm Products Company, Limited, and it reads as follows:

> We have the honour to enclose herewith statements upon the fifteen questions, in respect to which your committee require us to supply information. These statements have been carefully prepared by us, in accordance with the reported Minutes of Evidence, and trust that we have supplied all the information which your committee required of us.
>
> You will notice in the document numbered 9B that the average selling price per quart of milk is given as $0·1030. In the evidence which I gave before the committee, I stated the selling price per quart of milk to be $0·1041. The explanation of the difference in these two figures is that the calculations used in arriving at the amount of $0·1041 did not include the amount of raw milk which was sold by us to other major milk dealers, for which we paid association price, and to which we added ten cents per hundred pounds.
>
> If there is any further information which you require in respect to the operations of this company, please let us know and we will endeavour to obtain it for you.
>
> For your convenience we have prepared an index of the questions and answers thereto, and have bound the same together.

THOMAS GAMBLE, called and sworn.

By the Chairman:

Q. Will you give the reporter your full name and your position?—A. Thomas Gamble, Central Dairy, President and Manager.

Q. Have you a statement to make?—A. No, I have not.

Q. You have no statement?—A. No.

By Mr. Pickel:

Q. Mr. Gamble, is this an incorporated company?—A. It is.

Mr. BROWN: We can hardly hear the witness.

Hon. Mr. MOTHERWELL: We cannot hear either the question or the answer.

By Mr. Pickel:

Q. How long have you been incorporated and doing business?—A. Since November 24, 1930.

Q. This is your first venture, or is it a reorganization?—A. First venture.

Q. Are you a distributor?—A. Yes.

Q. You also, as I understand it, pasteurize milk for farmers?—A. Yes.

Q. What we require chiefly from you, Mr. Gamble, and why we brought you here, was to get the cost of pasteurization.

Mr. BROWN: Speak out so we can hear you.

By Mr. Pickel:

Q. I said we brought Mr. Gamble here especially to establish the cost of pasteurization. He pasteurizes milk for the farmers. How do you do that, by the gallon or quart, or hundred pounds, or what?—A. Do it by the quart.

Q. How much?—A. 1·16 cents per quart.

Q. How much?—A. 1·16 cents per quart.

Q. One and one-sixth?—A. One and one-sixth, the farmer stands wastage.

By Mr. Bowman:

Q. Is it 1·16 or one and one-sixth?—A. One and one-sixth.

By the Chairman:

Q. Now Mr. Gamble, can you not tell us just what it includes, what services you perform for that one and one-sixth cent?—A. Wash the bottles, pasteurize the milk and bottle it. We do not supply bottles, cases or caps.

By Mr. Pickel:

Q. The farmer supplies bottles and cases?—A. Bottles, cases and caps.

Q. And stands the wastage?—A. Stands all breakage.

Q. Are you also a distributor of milk?—A. Yes.

Q. Where do you purchase most of your milk?—A. In the surrounding district.

Q. How do you buy it at the present time?—A. We pay $1.26 net to the farmer.

Q. $1.26 net?—A. Net per hundred pounds, or 38·7 quarts.

Q. That is 3·5 milk?—A. 3·4 milk. That is not deducted from the—

Q. 1·24?—A. It is net.

Q. 1·24 is net?—A. 1·26 is net.

Q. Do you have any surplus?—A. Our farmers, contract farmers, do not have much surplus.

Q. Is this 1·26 net for all milk you purchase?—A. For contract milk.

Q. That is for distributor's milk?—A. Yes.

Q. What about surplus?—A. Surplus milk is contracted at a different price.

Q. How much—A. Twenty-six cents a pound butter fat.

Q. Is that surplus milk separated—A. Separated.

Q. You separate that?—A. Yes.

Q. What is that used for?—A. Cream or butter, usually butter.

Q. Do you buy cream also?—A. No.

Q. You distribute cream?—A. Yes.

Q. Where do you get your cream?—A. From the contract milk, the amount of contract milk which we have, which we do not sell.

Q. And surplus too?—A. And surplus, too.

Q. What is the selling price, Mr. Gamble, of your cream?—A. Cream? How do you want that, by the quart?

Q. How do you sell it?—A. Do you want it by the quart?

Q. Quart, half pints or quarts, yes, whichever you prefer.—A. Cereal cream is 40 cents a quart.

Q. What percentage is that?—A. Twelve per cent.

Q. Forty cents a quart?—A. Forty cents a quart, fifty cents a quart for table cream.

Q. What percentage?—A. Twenty-two.

Q. Fifty cents a quart?—A. Whipping cream 60 cents a quart.

Q. What percentage?—A. Thirty-two.

Q. Anything further? Do you sell any other grades?—A. No.

Q. Just three grades.—A. Just three grades.

Q. Twelve, 22 and 32?—A. Yes.

Q. The price is 40, 50 and 60 cents?—A. Yes.

Q. Do you not agree, Mr. Gamble, that there is a good deal more in the cream trade than in the milk trade?—A. No.

Q. You take a quart of 32 per cent cream, and it comes to $2.40 a gallon. What does that represent in butter fat, a gallon of that cream?—A. 3·2.

Q. How much butter fat would you be able to get out of that 32 per cent cream?—A. 3·2.

Q. What do you mean by 3·2?—A. You asked me how much I would be able to get out of that, I say 3·2 pounds.

Q. 3·2 pounds?—A. Yes.

Q. That is what I wanted you to say. I do not know whether you meant pounds or bushels.—A. I thought you were thinking of pounds.

Q. What do you pay for it?—A. We pay $1.26 per hundred net to the farmer. We have 25 cents haulage charge on that.

Q. Mr. Gamble, let us confine ourselves to that one gallon which you sell for $2.40. How much do you pay for that?—A. I would have to figure that out.

Q. Well, figure it out, it will only take you a minute, and let us know. I want you to say.—A. $1.42.

Q. For the quart?—A. A gallon, yes.

Q. Is that the contract price?—A. Contract price.

Q. I am asking you what you pay for that milk?—A. Yes, as milk, we are getting so we are paying more than 1.26. I am giving you 1.26 as milk, and we have to charge haulage on top of that, which gives 1.51 a hundred. In this case it is 3·2, which would be 1·42 cents a gallon.

Q. 1.42?—A. Yes.

Q. That includes haulage?—A. Yes, but does not pay for the separating of the milk.

Q. You make 98 cents on that gallon of cream?—A. I hope so, but I doubt it.

Q. That is what your figures show. Now Mr. Gamble, you are not doing pasteurization for the farmers for your health?—A. No.

Q. You are making something out of it?—A. We are making a little.

Q. What is your idea of the cost of pasteurization?—A. 1.06 is my idea.

Q. That is what you get?—A. Yes.

Q. What do you consider the actual cost?—A. We are doing it at the cost price.

Q. Then you are doing it for your health?—A. No, I am not doing it for my health, but the reason we can do it at cost price is it is filling in there at times. It just cost us the same to run our plant if we were not pasteurizing at all.

Q. That milk brought to you by the farmer is all pooled?—A. No.

Q. If John Jones brings you twenty gallons of milk, you don't give John Jones back different milk?—A. We are only pasteurizing for five shippers.

Q. What is that?—A. We are only pasteurizing for five shippers.

Q. That is all you are pasteurizing for?—A. Yes.

Q. That is five distributors?—A. Five distributors.

Q. Do you pasteurize each one individually?—A. We have two small vats, and those five are pasteurized in these two small vats.

Q. They go through a regular pasteurizing plant?—A. This cream vat is a pasteurizing vat as well.

Q. I understand; that does not go through a pasteurizing machine?—A. Yes.

Q. That was I understood just in the cream vat?—A. In the cream vat; that is a pasteurizing machine.

Q. But not as generally accepted?—A. We pasteurize our cream.

Q. And kind of cream vat or wash tub or barrel is a pasteurizer?—A. We pasteurize our cream in this vat.

Q. I understand; but it is not what is generally accepted as pasteurizing?—A. Certainly it is.

By the Chairman:

Q. Mr. Gamble, you mentioned wastage, that the farmer stands wastage?—A. Yes.

Q. Is there any appreciable amount of wastage?—A. On eight gallons he gets thirty quarts of milk, on account of the small quantity he is pasteurizing.

Q. What would it be if there was no wastage? How many quarts would there be in eight gallons if there was no wastage?—A. Thirty-one and a fraction.

Q. That would work out to a percentage; then the farmer who intends to distribute his own milk, does not really get his own milk back?—A. Yes, with the exception of these five farmers.

By Mr. Brown:

Q. Would the witness repeat what he said about wastage, on eight gallons the amount of wastage?—A. Yes. The farmer gets thirty quarts of milk back on the eight gallons.

Q. Two gallons wastage?

By the Chairman:

Q. What is the wastage? That is what he wants to know.—A. Two quarts. There is not fully two quarts, but approximately.

Q. Approximately?—A. Yes, a gallon of milk weighs more than ten pounds.

By Mr. Pickel:

Q. Mr. Gamble, this pasteurizing you do, if Mr. Jones brings you twenty gallons of milk—

Mr. BROWN: Louder.

By Mr. Pickel:

Q. —that is thrown in the vat, separately; how do you pasteurize that?—A. By steam, heated.

Q. Just heated by steam?—A. Yes, hot water.

Q. It does not go through any what is called "pasteurizing plant", any automatic pasteurizer?—A. All our milk is pasteurized in vats.

Q. That is all right. That is not an automatic pasteurizer?—A. What do you call it?

Q. Well, I mean a plant that the milk continually keeps running through all the time?—A. None of ours run through all the time.

Q. It has large coils in the vat?—A. Yes. It is the same thing, only small coil.

Q. Apart from washing bottles, and bottling milk—what do you set down as the cost of pasteurizing apart from the washing, sterilizing and the refilling of the bottles?—A. What did I put down?

Q. Yes, what was it?—A. 1·16 cents a quart.

Q. How much?—A. 1·16 cents a quart.

Q. Then you do not consider washing and sterilizing the bottles and refilling with milk as worth anything?—A. You asked me—

Q. I asked you just the mere process of pasteurization.—A. I can't tell you, sir, because we have not got an accounting system of that kind.

By Mr. Bouchard:

Q. Mr. Gamble, what is the cost of the organization of your plant; have you any watered stock in your plant?—A. No, we have no watered stock.

Q. No watered stock. Did you pay a commission in getting your stock sold?—A. We did not. There was no commission paid whatever for stock sold; all the stock that was sold, every cent went into the company.

Q. To whom has your stock been sold, to the producers of milk?—A. It is sold to milk producers.

Q. It is sold to milk producers?—A. Employees and milk consumers.

Q. And there is no watered stock?—A. None whatever.

Q. No more water in your stock than in your milk.

By Mr. Pickel:

Q. Now, we are very much concerned about this surplus milk. Do I understand that your company is taking the loss in whatever surplus is left?—A. Our milk is bought on contract. Whatever is left over is separated, and we endeavour to make out of that by selling cream, et cetera. My friend says we make so much out of a quart of cream, but there is an awfully great return on cream. In other words, you will take, say one wagon which might take out fifty half pints of cream and return twenty-five in a day. That is double work. That is a loss on filling and loss of time, extra caps, et cetera. All that extra work has got to go into the profit which you make on the quart you sell.

Q. Are farmers limited to a certain quantity of milk that they bring to your plant?—A. Our contract farmers are all contracted very high, so that contract farmers very seldom have any surplus.

Q. If they have any— —A. They very seldom have any surplus.

Q. Very seldom, because their contract is very high?—A. Very high.

Q. And if they do not supply to the limit of the contract— —A. There is no penalty.

Q. There is no penalty?—A. No.

By the Chairman:

Q. You have a number of producers, Mr. Gamble, that you get milk from that are not contracted, I understand?—A. Yes, we have.

Q. And do you give them the same contract price as the others?—A. No.

Q. That is more or less what you might term distress milk that is coming in to your concern?—A. I never term it as distress milk.

Q. Is a proportion of that milk bottled and sold at present?—A. No.

Q. How do you dispose of it?—A. We have enough of the contract milk, and that milk is separated and it is used for cream or ice cream, or churned.

Q. You pay none of the other producers by the contract price?—A. No.

Q. How do you say that milk is disposed of, in what way?—A. It is separated.

Q. As sweet cream?—A. It may be used as sweet cream or may be used for ice cream, or it may be churned.

Q. Your calculation as to the cost of a gallon of cream— —A. Was on contract milk.

Q. That was only on contract milk?—A. Yes.

Q. What proportion of the cream that you distribute is from contract milk, and what from this other milk? Can you tell me that?—A. We don't sell all that cream that we get from our contract milk.

Q. Do you mean to say you sell no sweet cream from the other milk?—A. No. We have not a very large supply from the other shippers. They are small shippers.

Q. Then it is all churned, is that the idea? —A. Or for ice cream probably; some might go for ice cream, and some might be churned.

By Mr. Pickel:

Q. What is your capitalization?—A. $300,000.

Q. Who is president?—A. I am president.

Q. What is your salary?—A. Do you want my salary or the office salary?

Q. I want the whole. What is your salary?—A. $1,200.

Q. Who is vice-president?—A. Mr. Argue.

Q. Is he an active official in the company?—A. Vice-president.

Q. Is he an active official?—A. No.

Q. Does he get any salary?—A. No.

Q. What other salaried officers are there in connection with it?—A. Just the office staff.

Q. How much?

By the Chairman:

Q. How many?—A. Two males and one female; that includes myself; $4,320.

Q. That is the total.

By Mr. Pickel:

Q. Do you pay any dividends?—A. No dividends. We are just running two years.

Q. Any income tax?—A. Yes, we paid income tax last year.

Q. What was the result of your 1932 operation?—A. What were the assets—

Mr. FAFARD: Is that fair? You don't need that. That is private.

The WITNESS: I didn't know I was going to be asked that.

The CHAIRMAN: I think, Mr. Pickel, that the object in having Mr. Gamble here was on the question of pasteurization. He may not be in a position to answer those questions.

The WITNESS: I would be glad to, if it is necessary, at any time.

The CHAIRMAN: I think it would be wise, if it is found necessary, that Mr. Gamble should be recalled, rather than that he should be asked to answer questions that possibly he is not prepared to answer to-day. Are there any other questions on pasteurization?

By Mr. Porteous:

Q. Mr. Gamble, you do custom work for five different farmers?—A. Yes.

Q. That is, you pasteurize and bottle their milk. They supply bottles and caps and cases and so forth, and you charge them $1\frac{1}{6}$ cents per quart. How many quarts of milk do you give the farmer bottled, for 100 pounds?—A. We give him 30 quarts of milk for 80 pounds.

Q. You give him 30 quarts of milk for 80 pounds?—A. Yes.

Q. That is a loss of two quarts?—A. No, it is not loss.

Q. In an eight gallon can?—A. Oh, two quarts—approximately 32 quarts in 80 pounds of milk.

Q. How many quarts are there in 80 pounds?—A. About thirty-one and a fraction, $31\frac{1}{4}$, I think.

Q. In an eight gallon can?—A. In eighty pounds of milk.

Q. That loss is just what is sustained, evaporation and perhaps a little wastage in bottles?—A. It is usually wastage in pipes and bottles.

By Mr. Brown:

Q. I suppose that would be the average wastage in a pasteurizing plant? —A. No, that is a little heavy, because these are only small amounts.

Q. What are you delivering milk at, at present?—A. Ten cents retail, eight wholesale.

By the Chairman:

Q. Do you sell to distributors as well as to stores?—A. No, no distributors buy milk.

By Mr. Pickel:

Q. Can you tell us the amount of milk that you handled last year?—A. I could tell you how much there was coming in a day; at the present time, 325 cans a day.

Q. That is eight gallon cans?—A. Yes.

Q. And cream?—A. Cream is separated from our over-plus milk, at least milk that you do not sell.

Q. About how much cream is distributed?—A. I don't know. I didn't get that figure, because I didn't know you wanted it. I would be glad to get it for you.

Q. Can you tell us offhand approximately your surplus for last year?—A. No, I could not.

The CHAIRMAN: Gentlemen, if you are satisfied, I think we had better release the witness. If the committee wish to call him again, he is available right here in the city.

(Carried.)

Witness retired.

ERNEST COUSINS, recalled.

The CHAIRMAN: Now, Mr. Cousins, have you any further statement to make before the committee begin to cross-question you?

The WITNESS: Well sir, I was asked by telegram to fetch my minute book, and also a list of shareholders, which I have done.

The CHAIRMAN: And directors.

The WITNESS: And directors, yes.

The CHAIRMAN: And the amount of shareholdings of each of them.

The WITNESS: Yes. What information do you desire from the minute book, Mr. Senn?

By Mr. Pickel:

Q. Mr. Cousins, what is your salary in your company?—A. I think that has already been stated.

Q. Well, just state it again.—A. It was $10,000 per annum until the beginning of the year, and since then I have taken two cuts, in common with everybody else.

Q. What is it now?—A. It is reduced now about 25 per cent.

Q. Does your minute book show that?—A. No, the minute book does not show it.

Q. What does show it?—A. My wage list.

Q. Your what?—A. My wage list, at the end of the week.

Q. Mr. Cousins, how many stockholders have you?—A. I will tell you that, sir. Sixty-two.

Q. What is the amount of stock held by them?—A. Well, I have the list here, if you would like to look it over.

Q. You can tell us approximately how much stock is held by outsiders in your company?—A. How much stock altogether?

Q. Yes, how much stock is issued.—A. There is 6,124 preferred and 10,000 common.

Q. Give us that in dollars?—A. $240,000; that includes everything.

Q. That stock has been sold?—A. Yes.

Q. When was it sold, Mr. Cousins?—A. 1925.

Q. Has that ever been added to since?—A. Well, in 1928 the old company entered into an agreement and reorganized, gave four shares for one.

Q. No more issued?—A. No.

Q. It remained the same; the amount of $240,000 remained the same?—A. Exactly.

Q. That was 1925?—A. Yes. At the end of 1928 or to-day it stands at that.

Q. What dividends did you ever pay on that $240,000 since 1925? Have you paid regular dividends?—A. Not regular dividends, no.

Q. From 1925 to 1928, how many dividends were paid?—A. One stock dividend.

Q. One stock dividend?—A. Yes, to bring it up to date, and five other dividends.

Q. That is in the three years?—A. Yes.

Q. What was the amount of those dividends, what percentage?—A. Seven per cent.

Q. From 1928 until to-day, how many dividends have been paid?—A. Five.

Q. All told?—A. Yes.

Q. You told us before, Mr. Cousins, when I read you a letter from Mrs. Payne of Granby—you said if she hadn't got her dividend regularly it must have gone astray.—A. They didn't go astray, and she got her dividends, and I have the cheques right here.

Q. What were the dates?—A. April 15, 1931; July 15, 1931; October 15, 1931; January 15, 1932; April 15, 1932; and I might say the lady wrote to me and said she hadn't got them, and I got the cheques from the bank.

Q. Do you know how much stock your company has sold in the city of Granby?—A. No, I have not—well, yes, I have it here by the different shareholders.

Q. You have a full list of shareholders there?—A. Yes. There is not much; very little.

Q. Here is a gentleman who says, "On my investment of $2,500 cash I have received in cash a little less than $100." Is there any truth in that?—A. He has received the same amount as the others received.

Q. Well, according to the evidence the others received very little.—A. Well—

Q. Are you separating every day?—A. These days, yes.

Q. How long have you been separating?—A. On and off for quite a number of years.

Q. Well, have you been continuously separating since last fall until the present time?—A. Not every day. It all depends; sometimes once a week, sometimes twice a week, sometimes three times per week. Sometimes we stop the milk when we have a flood on us.

Q. Is your surplus milk all separated?—A. No.

Q. What do you do with it?—A. Well, that part that we do not separate, we sell it.

Q. Sell it for what?—A. Sell it for milk, fluid milk.

Q. But you call it surplus?—A. Well, it goes to meet poor competition.

Q. In reality it is not surplus?—A. Yes, it is.

Q. You simply call it surplus for dividend purposes?—A. If a man ships ten cans in one week, and the next week only ships five cans, he has a surplus of five cans.

Q. I would like to ask one more question, Mr. Cousins: your son said in his evidence here that surplus milk was a little over 50 per cent.—A. He made a mistake, as I explained to you the last time I was here.

Q. He said what was not so?—A. Well, he just guessed.

Q. He gave us the figures.—A. In some instances they have been as high as 50 per cent.

Q. Will you tell us—.—A. When a man has no milk all winter, and in the spring he has plenty of it and ships it all in, he has certainly a surplus. We do not ask him to ship all the milk in. He ships it of his own free will and accord. We pay him more than he would get from the butter factory.

By Mr. Bowman:

Q. Mr. Cousins, you were before the committee on March 10?—A. Yes.

Q. On March 30, rather?—A. Yes, March 30.

Q. And at that time the committee asked you to have your auditor attend. Have you brought him to-day?—A. Unfortunately he is so busy he could not come, but he has given me the whole thing here; if you desire it I shall go through it, or I will give you a copy of it.

Q. The auditor was so busy that he did not have time to attend?—A. Well, he has other business to attend to outside of mine, sir.

Q. Well, I am taking your statement for it, that he was so busy that he did not have time to attend before this committee?—A. Exactly.

Q. Would you give us the name of your auditor?—A. With the greatest of pleasure; Marrotte, Anderson & Co., of Montreal.

Q. And who in that firm does your business?—A. Mr. Marrotte; he is the chief.

Q. Mr. Marrotte?—A. Yes.

Q. And when you told Mr. Marrotte that it was the pleasure of this committee that he attend before it, he said he did not have time and could not do it?—A. Well, he said that he was too busy, but he did draw up a full statement of the facts connected with my company from its inception.

Q. Just a minute; Mr. Marrotte told you that he was too busy to attend before this committee?—A. Exactly.

Q. That is correct?—A. Exactly.

Q. There cannot be any doubt about that?—A. I have not any doubt, because I was with him all day yesterday; he said he was sorry he could not come, but at this time of the year he was particularly busy.

Q. And consequently you especially prepared yourself?—A. No, I didn't. I had him prepare it.

Q. You prepared it?—A. Yes—no, he prepared it.

Q. Do you want to make any corrections of any statements you made when you were before the committee last?—A. Well, sir, you said that there was a discrepancy between 1925 and 1928. Now, possibly as far as the figures go, there is quite a discrepancy.

Q. I suppose you had the advantage of reading the report of the committee of the 30th of March?—A. Yes, I have a copy right here.

Q. Are there any statements which were made by you previously, as reported in the statement which you have in your hand, which you want to correct before I go on with the examination?—A. Yes. I said that all that stock was sold. It was not.

By the Chairman:

Q. What stock?—A. The stock that was issued in 1925.

By Mr. Bowman:

Q. When you first started to give your evidence you advised the committee that there were 5,000 shares?—A. Yes.

Q. Of preference cumulative stock of the par value of $100?—A. Yes.

Q. And that that was all sold?—A. Yes. But it was not.

Q. You want to correct that?—A. Yes.

Q. What else would you like to correct?—A. Well, I am not quite sure, Mr. Bowman. If you have any corrections, or anything that appeals to you that you would like me to correct, all right.

Q. Well, Mr. Cousins, to be quite frank with you, there are so many statements that are contradictory of one another, I am afraid it would take me the next hour to draw them to your attention. But let me just take a statement that you made a moment ago to Mr. Pickel. May I ask if that is correct. You said that in 1925, $240,000 worth of stock was sold.—A. It was not all sold.

Q. I beg your pardon?—A. It was not all sold. That is capital of the company.

Q. That was capital of the company?—A. Yes. It was not all sold. I thought that stock was sold, but when I come to find out, I find that it was not sold. There was simply 6,124 shares of preferred sold and 10,000 no par value.

Q. Let us start at the beginning of this affair, then, without confusing the committee, if possible. You are in a position to-day, are you, to give us the financial history of the company?—A. Yes.

Q. You are quite clear about that?—A. Yes.

Q. And will you tell us just what the value of the company was prior to the reorganization in 1925?—A. Well now, if you desire it, I can give you the whole thing in detail.

Q. Kindly consider my question, because I am talking now about prior to 1925?—A. Prior to 1925?

Q. Yes.—A. What was it you wanted in 1925, prior to that time? That was my own company in 1925.

Q. That is what I wanted to get at. I want to get the start of that company.—A. Exactly; it started in 1889.

Q. Prior to 1925 the company was a personal company?—A. Exactly.

Q. Just an ordinary registered company?—A. Exactly.

Q. Not a joint stock company?—A. No, it was not a joint stock company.

Q. Prior to that time there was no stock, either preferred or common, issued? —A. Nothing whatever was sold.

Q. Now, you started in 1925— —A. That is it.

Q. —by setting up a joint stock company, is that correct?—A. The company was incorporated under Dominion letters patent dated the 9th of April, 1925, with an authorized capital of 5,000 seven per cent cumulative redeemable preference shares of $100 each, and 10,000 shares without nominal or par value to be issued at a price not exceeding $5 per share.

Q. Now, what did you get for your company when you turned into the new joint stock company in 1925?—A This is 1925; the company entered into an agreement with Ernest Cousins Limited (old company) that was prior to 1925 —under date of 27th of April, 1925, whereby it purchased the assets and the good will and assumed the liabilities of that company. The consideration for the transfer of the assets and liabilities and the undertaking of Ernest Cousins Limited (old company) to make a payment to your company of $240,000, was $350,000. Ernest Cousins Limited—

Q. Just a minute, the consideration for the old company was $350,000— have you got the exact figures there?—A. Yes, to make payment to your company—

Q. Well, have you got the exact value, you said $350,000?—A. Yes, sir.

Q. What are the exact figures?—A. $350,000.

Q. That is, $350,000; the new company purchased the old company for $350,000?—A. That it is.

Q. Yes, how was it paid?—A. Ernest Cousins Limited old company accepted 3,000, 7 per cent cumulative redeemable preference shares, and 10,000 shares without nominal or par value in settlement, and these shares were issued by the company as fully paid shares.

Q. That is, the new company set up in 1925 paid to you as proprietor of the old company 3,000, $100 preferred cumulative shares carrying a dividend of 7 per cent?—A. That is right.

Q. Plus 10,000 no par value shares?—A. In settlement.

Q. Valued at $5?—A. Exactly.

Q. So the total purchasing price was $350,000?—A. Exactly.

Q. What was that paid for?—A. The company acquired from the old company net assets of $115,789.98 and liabilities amounting to $76,031.73, goodwill based on a valuation of $5 for each no par value share of $70,241.75; the sum to be paid by Ernest Cousins Limited old company, $240,000. You see, $110,000 and $240,000 make $350,000. The consideration was 3,000 shares of preferred stock at $100, and 10,000 shares no par value at $5, that made $350,000.

Q. In taking over this business the new company allowed for goodwill a sum amounting to $70,000?—A. Goodwill, based on a valuation of $5 per share, $70,241.75.

Q. Now, that 3,000 shares of cumulative stock was not all issued?—A. No, sir.

Q. What happened?—A. The old company entered into an agreement with the Mortgage Investment Company Limited on the 1st of April, 1925, to sell the shares of the company on behalf of the old company. From the proceeds of the shares sold, $240,000, Ernest Cousins old company paid on account of their debt

of $240,000, during the period ended 31st December, 1925, $75,721.76; that left a balance of $164,278.24. During the year ended 31st December, 1926, $3,188.64; leaving a balance of $161,089.60.

Q. Yes, is that all?—A. That is as far as we have got so far.

Q. Well, finish. Finish what you have in your statement?—A. During November, 1928, the company amended and changed the original agreement made with Ernest Cousins Company Limited old company. The company obtained supplementary letters patent from the Dominion government under date of 21st November, 1928, reducing the capital of the company by the cancellation of 1,469 preferred shares, and further by changing the remaining authorized preferred shares, amounting to 353 old shares valued at $100 each with a total par value of $353,100, into 14,121 shares of $25 each, with a total par value of the same amount.

Q. That don't tell anything, of course, Mr. Cousins. Can you yourself, right now, Mr. Cousins, tell us the initial set-up of this company?—A. Yes, I think I can.

Q. Well, will you please do it, you have not told us anything yet, you know. —A. Well, I think I have.

Q. I am sorry, the fact that there are a certain number of shares authorized, don't mean anything, as you know. A company can start up with a million dollars' worth of shares, but unless somebody buys them or they are issued, they don't become the set-up of the company, do they?—A. No.

Q. Well, tell us about the shares that have actually been issued?—A. The sum of $113,425 was received by Ernest Cousins Limited old company on the sale of stock, which sum has been accounted for to the new company, less commissions, and selling expenses incurred by the old company in the sale of the stock of the new company. The failure to realize the full amount desired was due to the failure of the underwriters of the stock to carry out their agreement.

Q. Well, you are just reading something from a memorandum you have there?—A. This is a statement from the auditor.

Q. An auditor's statement, yes; but just what it means you are not sure?—A. Oh, yes.

Q. Well, tell me, I have asked you an open question, how much cumulative preferred stock has been issued in this company?—A. Shares sold as follows: 936 preferred shares at a value of $100; 741 common at a value of $25.

Q. When was this?—A. This was in 1925.

Q. Will you give those figures again please?—A. 936 preferred shares.

Q. That is 936 preferred valued at $100?—A. Yes.

Q. The next item is 741 common at $25?—A. And 40 at $12.50; and 100 at $8, making a total of—

Q. 40 what?—A. 40 common shares.

Q. 40 common at $8?

The Chairman: No, 40 at $12.50.

By Mr. Bowman:

Q. At $12.50?—A. Yes.

Q. And the other 100 at $8.

By Mr. Pickel:

Q. Is that last 100 common shares, Mr. Cousins?—A. Yes, sir.

Q. And is sold for how much?—A. $8.

By Mr. Bowman:

Q. Eight dollars a share?—A. Making a total of $113,425, and that is all.

Q. Now, we are getting at the capital in 1925.—A. And that is all the stock that was issued.

Q. Now, there is no doubt about that, is there Mr. Cousins? In 1925 we had 936 preferred $100 value shares, and 741 common shares sold at $25?—A. Yes, sir.

Q. And 100 shares?—A. At $8.

Q. At $8?—A. Yes, sir.

Q. Making at that time a total value of how much?—A. $113,425.

Q. Now, that was the original capital set-up with the new company, that is when the joint stock company took over your whole business?—A. That was the money invested.

Q. Now, there can't be any doubt about that, can there?—A. None.

Q. Now, what is the next step in your capital set-up?—A. The preferred stock value of $153,100 is arrived at as follows.

Q. Well, what are you talking about now?—A. I was going to tell you, you asked me and I was going to tell you.

Q. You say this preferred stock realized $153,100. What was the next step?—A. The total proceeds from the sale of preferred and common shares was $113,425.

Q. That is in 1925?—A. Yes, that is up to 1925.

Q. Yes, what was the next step taken in this organization?—A. Under the amended plan each subscriber was given one preferred share of $25 for each $25 invested, therefore they received 4,537 shares of preferred stock at $25 which made a sum total of $113,425. The original preferred shares of $100 par value were exchanged for four new shares of $25 par value. New preference certificates were issued to an amount equal to the common shares purchased. Common share certificates were obtained by the purchaser.

Q. Will you read that statement again, that you have just made?—A. Yes, sir, the original preferred shares of $100 par value were exchanged for four new shares of $25 par value. New preferred share certificates were issued to an amount equal to the common shares purchased, and common share certificates were obtained by the purchaser.

Q. And that was what part of the total issue of some 4,000?—A. That was 4,537 shares.

Q. Now, I want the committee to understand that clearly. You correct me, Mr. Cousins, if I am wrong. You say that for these 936 preferred shares of $100 par value, plus 741 shares of common stock of $25 par value, plus the 40 shares that were sold at $12.50—they were really $25 par value—plus the 100 shares, were all put together and when the reorganization took place, new preferred stock equal to the total amount of the old common shares and the preferred shares was issued?—A. No sir, they still retained their common stock.

Q. Yes, I know, but they got a preferred share for the common stock that they had?

The Chairman: For every $25 worth.

By Mr. Bowman:

Q. Is that right?—A. No, they got four shares of $25 value for their $100 share of preferred stock.

Q. Yes, plus another share for common stock which they held.—A. Exactly, yes.

Q. That is what I am saying. Now, in talking about this reorganization, you are now down to 1928?—A. Yes, sir.

Q. All right, now in 1928, tell me the reorganization that took place there; you now have your company in 1925 with a total valuation of $113,425?—A. Yes, sir.

Q. Now, tell me what took place in 1928?—A. Well, I have just told you that these shares were taken in and four shares were offered in their place.

Q. That is for the preference.—A. Yes.

Q. Just tell me how many shares were issued in 1928?—A. 4,537 shares valued at $25 per share.

Q. Yes, what about the common shares?—A. They kept the common.

Q. Yes, but did not they get a preferred share for every common share they held?—A. No, sir, they simply got four shares for the one share; every man that had one share of $100 stock got four shares for it, that was preferred.

Q. Yes.—A. And it still remains preferred. The common stock, they kept it, they have it yet, that was never changed.

By the Chairman:

Q. No, that is not right.—A. Yes, it is.

By Mr. Bowman:

Q. Where do you get your 4,537 then?—A. By multiplying 936 preferred shares by four.

Q. Well, that doesn't come to 4,537, it comes to 3,744.—A. Yes, that is right; you are right, sir.

Q. Well look, Mr. Cousins,—I don't know, Mr. Chairman why this committee should have to go over this evidence again, we don't seem to be getting anywhere with this witness, we don't get a satisfactory statement, and we don't get satisfactory answers. There is not a page of the whole of this evidence which he gave during a couple of hours, but what there are contradictions, and then we have the same thing here to-day. Now, I don't think we are going to get very far until we get somebody in the witness box who knows something about the financial set-up of this company. I think this witness, with all due respect to Mr. Cousins, does not understand it himself. I have no doubt that, like men who are fortunate enough to be in his position, he has relied entirely upon his solicitor and his accountant for advice about the different set-ups of this company. He is, unfortunately, not able to give it, that is clear. I want to suggest, Mr. Chairman, that as Mr. Cousins is not able to give us the answers that we, if necessary, subpoena the gentleman whom he named as auditor of the company, and see that he appears before this committee in order that we may get the evidence without having to go through this thing several times over.

Mr. BROWN: Would it not be well if Mr. Cousins would furnish the committee with the statement which he says comes from the auditors?

Mr. TUMMON: Unfortunately, Mr. Brown, the statement which was filed with the committee, the annual statement, does not agree with the evidence Mr. Cousins has given us.

The CHAIRMAN: Nor, with the evidence he is giving now.

Mr. BOWMAN: Yes, the trouble with the witness is that he is confusing different years on different statements. We get something in 1925, and we get something else in 1931.

The WITNESS: No, sir, you don't get anything in 1931, you simply got it in 1928.

By Mr. Bowman:

Q. Well that is what we have been getting.—A. No, sir, you simply got the difference from 1925 to 1928. I was trying to explain to you just exactly what was done in 1928.

Mr. BOWMAN: Well, I am willing to try a little further, Mr. Chairman. I have gone over these figures very carefully, and certainly none of these statements agree.

The CHAIRMAN: No, they do not.

By Mr. Bowman:

Q. Now, going back to 1925 for a moment, Mr. Cousins. When you read the figures that you just gave,—and I wish you would correct me if I have taken them down wrong, and to confirm it if I am right—936 preferred shares at a value of $100; 741 common shares sold, you say, at $25; 40 sold at $12.50; and 100 which sold at $8. Is that correct?—A. Yes, sir, that is right.

Q. That is right, all right. Now, what was the next step in the financial set-up of your company, what change was next made?—A. During November, 1928, the company amended and changed the original agreement made with Ernest Cousins, Limited. The company obtained supplementary letters patent from the Dominion government, reducing the capital of the company by the cancellation of 1,469 preferred shares.

Q. Yes, and that 1,469 preferred shares was of a value of $100.—A. Yes, sir.

Q. Now, you are talking about the capitalization?—A. Yes.

By the Chairman:

Q. They were part of the shares that were issued to Mr. Cousins in the first place to realize that $240,000, and that was never realized?—A. Yes. And further, by changing the remaining authorized preferred shares, amounting to 3,531 shares valued at $100 each, with a total par value of $353,100 into 14,124 shares of $25 each, with a total par value of the same amount.

Q. With a total par value of the same amount—14,142 did you say?—A. 14,124.

Q. That is 14,124 at a par value of $25, that would give you $353,100?—A. That is right, that agrees with my figures.

Q. All right, but these were the shares that were authorized, these are not the shares that were issued?—A. No, I have just told you the number of shares that were issued.

Q. All right, how many?—A. 6,124 preferred, and 10,000 common.

Q. Now, answer this, how do you get that 936 preferred shares of $100 each, 741 common, 40 common, and 100 common—how do you get it into 6,124 preferred and 10,000 common issued? That is what I want to get.—A. Well, Mr. Bowman, I am extremely sorry, as I say, I am not an auditor myself; I simply have these figures; and these figures, according to the auditor, who is one of the best auditors in the city of Montreal, come out exactly to a cent. I feel a little bit annoyed at the auditor not being able to be here himself to explain these figures to you, but I know that these figures are right, I know that they are correct.

Q. You can't know whether they are right or not except for the reason that the auditor told you so. Now, here are two statements clearly before the committee, Mr. Cousins, first we will take these shares which I have referred to—936 preferred at $100, 741 common, 40 common, and 100 common—we find this stock issued at a certain period in the history of this company.—A. Yes.

Q. The next statement we find is the auditor's statement for 1931 or 1932, where it shows at page 348, that you have 6,124 shares of $25 each, plus 10,000 shares of no par value at $5 each?—A. Yes, sir.

Q. These are issued now?—A. Yes.

Q. The auditor says they are issued?—A. Yes, sir.

Q. How did you issue these shares?—A. They were sold.

Q. How do you know?—A. Because we got the money for them, except the amount that I have myself, you see I am holding an amount of preferred 1,709 and 6,994 of common.

Q. 6,000 what?—A. 6,994 common.

Q. Now, how did you get this 6,994 common?—A. I bought some of them, and the others were given to me for my business.

Q. Well, that is the point we want to get at.—A. Well, you have it.

Q. We haven't. We find that in 1926 you have a total of 8,081 common shares outstanding. When we look at your auditor's report for 1931, you have 10,000 outstanding.—A. That is right, the whole 10,000 were issued.

Q. Yes, but what did you get for them? Did you give them away for nothing?—A. No, sir, the amount that was given to myself for my business was somewhere—I bought somewhere in the neighbourhood of 5,500, I bought considerable of those shares.

Q. I beg your pardon?—A. I said I bought a considerable number of those shares back myself.

Q. No par value?—A. Yes.

Q. What did you pay for them?—A. Whatever I could get them for, I bought them with the preferred.

Q. You bought them with the preferred, that is really stock that you sold and bought back?—A. Yes.

Q. But how do you account for getting at these 9,000 extra shares of no par value?—A. I did not say that there were 9,000.

Q. I am telling you so, according to your auditor's information.—A. Well, I am awfully sorry, Mr. Bowman.

The CHAIRMAN: Really, Mr. Bowman, I don't think there is any use pursuing this any further. We will have to have this auditor here, just now you are only wasting your time. Don't you agree with that?

Mr. BOWMAN: Well, the main point of this company, as I see it, Mr. Chairman, is this, that in the first place, the son attends before this committee and gives his evidence, and in that evidence, he gives the capital set-up of this company at a very small amount—I refer to page 147 of the evidence—he gives the capital set-up of this company as $153,100. We have the statement made by the witness in his evidence some time ago that goodwill was not taken into consideration, and as a matter of fact, as I imagine the record and the memorandum of incorporation, steps that were taken in the change of 1928, that he was paid for goodwill a very substantial amount. I find more than that, Mr. Chairman, that according to the report that is filed before the committee, that a very substantial amount has again since accumulated for goodwill, amounting in the statement issued for 1931 by their auditors to $87,507.44. On top of that, there has been wiped off in depreciation up to the time some $48,000, according to their report. On top of that, we get a statement from the manager of the company that they are not able to pay dividends. Well, the record clearly shows that they can pay dividends. They have people outside of their own company of whom we have record, who hold stock in this company who are not getting anything, not even on their preferred shares, they are not even getting dividends.

Now, if the thing can be explained, let us have an explanation, but so far as I can see from the records that appear to date, this company has been making very substantial profits; its profits have been written off into goodwill, into depreciation and into bad debts; and if you add to that the no-par-value stock which has been issued by the company as bonuses, somebody has got something out of this company, there can't be any doubt about that. You have to-day a clear statement that since 1925 the only common stock issued was to the extent of 981 shares, and again we are told that there were 10,000 shares issued.

The WITNESS: They were issued in the beginning, sir.

Mr. BOWMAN: They were not issued in the beginning, according to your auditor's statement. Certainly Mr. Chairman, there is some explanation coming with regard to the major items that I have very roughly drawn to your attention, and I certainly suggest that the auditor of this company be subpoened, and that he attend before this committee and give to this committee the information we want; otherwise, we will take proper steps to bring him.

The WITNESS: I will see Mr. Bowman, that he is here, most decidedly when you want him.

By Mr. Pickel:

Q. I wanted to ask you one question. In your evidence the last time you were here you gave the amount of depreciation as $80,000, or a little over.

The CHAIRMAN: What depreciation? Annual depreciation?

Mr. PICKEL: Yes. $80,000.

By Mr. Pickel:

Q. On page 328 of the evidence, Mr. Cousins was asked:—

> Q. Mr. Cousins, in your figures for depreciation, I think you acknowledged some $80,000?—A. Yes, I have that here.
>
> Q. Well, now, in the statement that your son made the other day, we find as depreciation for machinery, $15,000, delivery equipment, $7,000, building, $2,000. How do you reconcile those two statements?—A. Well, he possibly did not have the figures here. What year was that for?

Now, for 1932 in your filed statement you have "depreciation: machinery $15,000, delivery equipment $7,000, buildings $2,212." Why did you tell us the depreciation was $80,000?—A. Mr. Pickel—

Q. Will you tell me?—A. If you will kindly wait until the auditor comes up here, he will have the answer to those questions. He is better able to answer them than I am.

Q. I should hope so.

By Mr. Gobeil:

Q. Did you tell the committee that you had the list of your shareholders here?—A. Yes.

Q. Are you going to file this list with the number of shares of each?—A. Yes; right here.

The CHAIRMAN: Yes. He has said he would file them.

Mr. TUMMON: I would also ask Mr. Cousins to file with us the statement he has been reading from?

The WITNESS: Yes. I will do that. I have a copy here.

(Copy filed.)

Mr. TUMMON: Possibly, I might ask a question here.

The CHAIRMAN: Do you mean that the file should be included in the minutes?

Mr. TUMMON: Yes; the minutes so we will have something to go by.

By Mr. Pickel:

Q. How long have you been receiving $10,000 a year salary?—A. Just two years.

Q. Was that authorized in your minutes?—A. Yes, sir. As a matter of fact, it is not—

Q. Just tell the committee who your directors are?—A. Ernest A. Cousins; Andrew C. Cordner; Francis E. Cousins; Nathan B. Cohen; Ernest W. Sayer; H. E. Reynolds; Fred Cleary.

Q. How often do you meet?—A. Generally at the call of the chair.

Q. How often does the chair call?—A. Possibly every three or four months.

Q. When did you have your last meeting?—A. We have our annual meeting this month.

Q. When did you have your last meeting?—A. July 11—no, Monday, November 14, 1932.

Q. And when did you have a meeting before then?—A. July 11, 1932; May 9, 1932.

Q. Find the minutes authorizing the salary of $10,000?—A. Yes, sir: "Minutes of meeting of the board of directors of Ernest Cousins Limited held April 14, 1932. There were present: E. A. Cousins; A. C. Cordner; Ernest W. Sayer; Nathan B. Cohen; Fred Cleary. It was moved by Mr. N. D. Cohen seconded by Mr. E. W. Sawyer that the following salaries be paid, viz: Mr. E. A. Cousins $10,000 per annum. . . . ."

Q. Who is Mr. Cordner?—A. He is president of the North Eastern.

Q. How much stock has he—how are these directors elected, at an annual meeting?—A. The annual general meeting.

Q. Now, I notice that these stockholders are very very small holders, all of them—all but yourself.

The CHAIRMAN: I was going to suggest doctor that if you want to let that go you might do so until the auditor comes.

By Mr. Tummon:

Q. When you were here the other day, Mr. Cousins, there was certain information I said I required, if you will recall. You wrote the clerk a letter, didn't you, asking if I would let you know what the information was?—A. Yes.

Q. Unfortunately, that letter just came to my hand last Thursday morning and I had to leave to go to a funeral and just got back this morning, and therefore I was unable to have it prepared for you. If I submit the questions that I wish to be answered by you will answer them?—A. Most decidedly.

The CHAIRMAN: Either himself or his auditor.

Mr. TUMMON: I do not think his auditor can give the information. I would be glad to get it before the auditor comes here, if Mr. Cousins will submit it.

The WITNESS: Yes. Well, now, if you will be kind enough to send for that information to-morrow—Mr. Chairman, when will you call a session of this committee again?

The CHAIRMAN: We will be meeting almost every day, but I do not know when the committee will be prepared to hear your auditor. That will be left in the hands of the sub-committee.

Mr. BOWMAN: I am going to ask that when Mr. Cousins goes home that he get in touch with his auditor and that his auditor forward to you as chairman a brief history showing the financial set-ups of the different Cousins companies down to the present time.

The WITNESS: That is all here, sir.

Mr. BOWMAN: Well, we did not understand it. I want it in a simple form so that the members of the committee can understand it.

By Mr. Bowman:

Q. Now, may I ask the witness to turn to page 346 of the evidence of March 30th and look at the bottom:—

> Ernest Cousins Limited—capital structure. . . . common stock: bonus to subscribers $6,125.

That figures out at 1,225 shares at $5 apiece. Do you know how that bonus came to be issued?—A. Yes, sir; I gave it myself out of my own stock.

Q. You gave it out of your own stock?—A. Yes, sir.

Q. "Preferred dividends, $12,250." That is the equivalent of 2,450 shares?—A. That was paid in cash.

Q. Now, are you sure of that?—A. Yes, sir; $13,394.45.

Q. I am talking about preferred dividends $12,250?—A. Yes. I did it.

Q. Are you sure it was paid in cash?—A. Yes. $13,394.

Q. Just a minute—.—A. It was all cash.

Q. It cannot have been paid in cash. The statement showed it was issued as common stock?—A. These were preferred dividends.

Q. Yes, but it says common stock issued as preferred dividends $12,250. That is not cash, is it?—A. Yes, sir. The real amount is $13,394.

Q. Can you tell me why your auditor put in $12,250?—A. That was at the end of December—that was the end of 1932.

Q. Would you mind having a look at this statement again?—A. Yes, sir.

Q. Have you page 346?—A. Yes, sir.

Q. Do you see what I refer to?—A. Yes.

Q. Do you still say after looking at it that that means cash?—A. Well, it must do.

Q. When it tells you plainly that it is common stock, preferred dividends $12,250?—A. "Bonus to subscribers $6,125; preferred dividends $12,250."

Q. You take that as cash?—A. Yes.

Q. That shows, Mr. Chairman, that the witness really does not know what he is talking about?—A. Possibly I do not; but it is right here.

Q. I am sorry to say that, but it is true. On page 346 the evidence is quite clear. The company received the full consideration for the shares issued. Then the auditor's statement sets out preferred stock, and under the second heading, "common stock," not cash—"bonus to subscribers $6,125, preferred dividends $12,250, goodwill of acquired concern $31,625 or a total of $50,000 which means 10,000 non par value stock at $5.

The CHAIRMAN: Was it issued?

Mr. BOWMAN: Yes.

The CHAIRMAN: I think we had better dismiss the witness and Mr. Tummon as chairman of the subcommittee suggests that we call the auditor for to-morrow afternoon.

The WITNESS: Don't make it to-morrow afternoon. He would not be able to get here. If you could make it Wednesday.

The CHAIRMAN: If he cannot come to-morrow afternoon, would Wednesday suit the committee? But why can he not come.

The WITNESS: Well, Mr. Senn, I would not like to spring it on him so suddenly; but if you so desire I will make him come.

The CHAIRMAN: We will do the making.

Mr. BOWMAN: It is not enough that the witness and the auditor spent all day yesterday on these books, but the witness comes here with the statements prepared by the auditor and we expected him to come here and bring the auditor. Now, the auditor is not here and we cannot get the evidence we want. I suggest that we subpœna the auditor by wire.

The WITNESS: For to-morrow afternoon?

Mr. BOWMAN: For to-morrow afternoon.

The WITNESS: I am content.

The CHAIRMAN: Very well. You will be here as well?

The WITNESS: Yes. I will be here as well.

The committee adjourned to meet Tuesday, April 11, 1933, at 3.30 p.m.

SCHEDULE "B"

ERNEST COUSINS LIMITED

MEMORANDUM RELATING TO THE CAPITAL STRUCTURE

Copy of Charter is attached—Exhibit I.

The Company was incorporated under Dominion Letters Patent, dated 9th April, 1925, with an Authorized Capital of 5,000 seven per cent Cumulative Redeemable Preference Shares of $100.00 each, and 10,000 shares without nominal of par value, to be issued at a price not exceeding $5.00 per share.

Copy of Agreement is attached—Exhibit II.

The Company entered into an agreement with Ernest Cousins Limited *(Old Company)* under date of 27th April, 1925, whereby it purchased the Assets and Goodwill and assumed the liabilities of that Company. The consideration for the transfer of the Assets and Liabilities and the undertaking of Ernest Cousins Limited *(Old Company)* to make a payment to your Company of $240,000.00 was $350,000.00. Ernest Cousins Limited *(Old Company)* accepted 3,000 seven per cent Cumulative Redeemable Preferred Shares and 10,000 shares without nominal or par value, in settlement, and these shares were issued by the Company as fully paid shares.

Details of these are shown on Marrotte, Anderson & Co. accounts at 31st December, 1925—Exhibit A. Pages 1 and 2.

The Company acquired *(from Old Company)*

Net Assets	$115,789 98
Liabilities	76,031 73
	$ 39,758 25
Goodwill—based on a valuation of $5.00 for the No Par Value Shares	70,241 75
	110,000 00
Sum to be paid by Ernest Cousins Limited *(Old Company)*	240,000 00
	$350,000 00

The Consideration was:—

3,000 Shares Preferred Stock at $100.00	$300,000 00
10,000 Shares No Par Value Stock at $5.00	50,000 00
	$350,000 00

Copy is attached—Schedule II A.

The *Old Company* entered into an agreement with the Mortgage Investment Company, Limited, under date of 1st April, 1925, to sell the shares of the Company on behalf of the (Old Company).

Balance per Marrotte, Anderson & Co. Statements 31st December, 1925.

Balance per Marrotte, Anderson & Co. Statements 31st December, 1926.

Reconciliation of amounts (paid by Old Country):—

Cash payments as stated above	$78,910 40
Cash payment to be made under amended agreement	83 25
	$78,993 65
Cash payments referred to under amended agreement	$77,594 56
Amount payable to *(Old Company)*, (Marrotte, Anderson & Co. Balance Sheet at 31st December, 1928), which was later paid	1,399 09
	$78,993 65

Copy is attached—Exhibit III.

Copy is attached—Exhibit IV.

Reconciliation Cancelled Shares:—

Originally issued to Ernest Cousins Limited *(Old Company)*	3,000
Shares sold on behalf of *(Old Company)*	1,531
Number unsold	1,469

See circular to Shareholders stating full details—Exhibit V.

From the proceeds of shares sold,		240,000 00
Ernest Cousins Limited *(Old Company)* paid on account of their debt of $240,000.00 during the period ended 31st December, 1925	$75,721 76	75,721 76
		$164,278 24
and, during the year ended 31st December 1926	3,188 64	3,188 64
	$78,910 40	$161,089 60

During November 1928, the Company amended and changed the original agreement made with Ernest Cousins Limited *(Old Company.)*

The Company obtained supplementary Letters Patent from the Dominion Government under date of 21st November 1928, reducing the Capital of the Company by the cancellation of 1,469 Preferred Shares.

And further by changing the remaining Authorized Preferred Shares amounting to 3,531 shares of $100.00 each with a total par of $353,100.00 into 14,124 shares of $25.00 each with a total par value of the same amount.

The following extracts from a circular letter to the sharesholders dated 5th November 1928 will explain the reasons for altering the original agreement.

Re: Special General Meeting

"In 1925 it was considered advisable to provide new capital for the business carried on by ERNEST COUSINS LIMITED, in an estimated amount of $240,000.00. To achieve this purchase, the present Company, having the same name as the (Old Company), was incorporated, the (Old Company) transferred the business to it as a going concern and amońg other things, in effect, undertook to sell sufficient Preferred Stock of the new Company to raise the above amount. In anticipation of the (Old Company) selling Preferred Stock to the extent required to realize the above amount of $240,000.00, the new Company in 1925, issued to the (Old Company) sufficient Preferred Stock for the purpose.

The sum of $113,425.00 was received by ERNEST COUSINS LIMITED (Old Company) on the sale of stock, which sum has been accounted for to the new Company, less commissions and selling expenses incurred by the old Company in the sale of the stock of the new Company.

The failure to realize the full amount desired was due to the failure of the underwriters of the stock to carry out their agreement.

It is not considered advisable nor opportune at the moment to make a new arrangement for the sale of the balance of the Preferred Stock, which the (Old Company) has and under the circumstances, it is desirable that the original agreement be modified to suit the facts of the present situation. The net assets, exclusive of the goodwill, which the (Old Company) turned over to the new Company, on the 27th April, 1925, amounted to $39,758.25,

ERNEST COUSINS LIMITED—*Concluded*

MEMORANDUM RELATING TO THE CAPITAL STRUCTURE—*Concluded*

By-Law No. 65 attached—see Exhibit VI.

Accordingly, it has been decided by the Directors that the original contract April 27th, 1925, be modified so that the consideration payable to the (Old Company) should be $153,183.25 represented by the business of the (Old Company) and a cash payment of $113,425.00, less such commissions and expenses incurred by the (Old Company) in disposing of the stock of the new Company; the (Old Company) to accept in consideration of the said amount of $153,183.25 One thousand five hundred and thirty-one (1,531) preference shares of the par value o fOne hundred dollars ($100.00) each, Ten thousand (10,000) no par value shares and Eighty-three dollars and twenty-five cents ($83.25) cash and in furtherance of the Director's decision, an agreement was entered into with the (Old Company), providing for the above amendment and a resolution providing for the entering into the above agreement was passed by the Directors.

You will be asked to ratify and confirm the resolution passed by the Directors providing for the entering into of the above mentioned agreement and furthermore, to consider and ratify By-Law No. 65, passed by the Directors reducing the preferred capital stock of the Company from Five thousand (5,000) seven per cent (7%) cumulative redeemable preference shares of the par value of One hundred dollars ($100.00) each to Three thousand five hundred and thirty-one (3,531) seven per cent (7%) cumulative redeemable preference shares of the par value of One hundred dollars ($100.00) each and subdividing the said Three thousand five hundred and thirty-one (3,531) preference shares into fourteen thousand one hundred and twenty-four (14,124) preference shares of the par value of Twenty-five dollars ($25.00) each.

The (Old Company) further agreed that upon confirmation of By-Law No. 65, by supplementary letters patent to surrender for cancellation fourteen hundred and sixty-nine (1,469) preference shares, being the difference between the Three thousand (3,000) preference shares allotted to it under the original contract April 27th, 1925, and the One thousand five hundred and thirty-one (1,531) preference shares payable to it under the amended agreement, to take care of the amount required to effect the reduction of the preferred capital stock.

Upon the reduction of capital and subdivision thereof being confirmed by supplementary letters patent, the (Old Company) will transfer to each shareholder who paid for the common stock now held by them, one preference share of the par value of Twenty-five dollars ($25.00) for each Twenty-five dollars ($25.00) paid for the purchase of the common stock of the Company by such shareholder, so that a shareholder who paid One hundred and twenty-five dollars ($125.00) for one preferred and one no par value share will receive from the Company four (4) new preferred shares of the par value of Twenty-five dollars ($25.00) each and by transfer from the (Old Company) an additional preference share of the par value of twenty-five dollars ($25.00).

The result of the proposed changes and the organization of capital will be that the shareholders of the Company will receive preferred stock for the amount of cash invested by them and Ernest Cousins Limited (Old Company) will receive preferred stock for the net amount of the assets (exclusive of goodwill) turned over by that Company to this Company and the balance payable by the (Old Company) will then be cleared off the books of the Company and the (Old Company) can then be wound up.

The above amount was paid by Ernest Cousin Limited! *(Old Company)* from the proceeds of sales of Capital Stock of the Company.

Shares sold are as follows:—

936 Preferred Shares at	$100.00			$93,600 00
741 Common "	25.00			18,525 00
40 " "	12.50			500 00
100 " "	8.00			800 00
				$113,425 00
Less: *Cost lling Stock;—*				
Amount paid Mortgage Investment Company, Limited:—				
Advertising		$ 2,500 00		
Commission on—				
Preferred Stock		14,290 15		
Common Stock		18,688 69		
			$ 35,478 84	
Commissions to others			351 70	
				$ 35,830 44
				$ 77,594 56

The Preferred Stock above of $153,100.00 is arrived at as follows:—

The total proceeds from the sale of Preferred and Common Shares was $113,425.00. Under the amended plan each subscriber was given one Preferred Share of $25.00 for each $25.00 invested; therefore they received—

4,537 shares Preferred Shares at $25.00 .... $113,425 00

The original preferred shares of $100.00 par value were exchanged for four of the new shares of $25.00 par value. New preferred share certificates were issued to an amount equal to the common shares purchased. The Common Share certificates were retained by the purchasers.

The net value of the assets acquired from Ernest Cousins Limited *(Old Company)* was $39,758.25. Under the Amended Agreement the consideration paid to Ernest Cousins Limited *(Old Company)* was $83.25 in cash leaving a balance of $39,675.00 in settlement of which that Company received—

1,587 Preferred Shares at $25.00 .... 39,675 00

$153,100 00

The Company is now showing a profit and in future will be in a better position to meet dividend requirements, but it is considered advisable in the interest of all the shareholders that settlement be made for these dividend arrears from the date of issue to the date of the issuance of the new preference shares of the par value of Twenty-five dollars ($25.00). To achieve this purpose, ERNEST COUSINS LIMITED (Old Company) will transfer two (2) of no par value shares from the shares held by them to each shareholder of this Company for each preferred share of the par value of One hundred dollars ($100.00) now held.

Summing up the result under the proposed changes will be that the shareholders for each share of preferred stock and common stock purchased by them will hold certificates for preferred stock equal at par to the amounts actually paid in and will further hold three (3) shares of common stock, namely, the original share purchased and two additional shares.

The Board of Directors submits the above changes and proposals as being just and equitable both from the standpoint of the shareholders of the Company and from that of Ernest Collins Limited (Old Company)."

Under the amended agreement the capitalization was as follows:—

The Company acquired *(from the Old Company)*—		
Net Assets	$115,789 98	
Liabilities	76,931 73	
	$ 39,758 25	
Goodwill—based on a valuation of $5.00 for the no par value shares	85,830 44	
	$125,588 69	
Cash payments received from Ernest Cousins Limited *(Old Company)*	77,594 56	
	$ 203,183 25	

The consideration given under the amended agreement was as follows—

6,124 shares Preferred Stock	$25.00	$ 153,100 00
10,000 shares No Par Value Shares	5.00	50,000 00
		$ 203,100 00
Cash payment to be made to Ernest Cousins Limited *(Old Company)*		83 25
		$ 203,183 25

BORDEN'S FARM PRODUCTS CO. LIMITED
703 Dominion Sq. Bldg.,
Montreal, Que.

PURCHASE AND SELLING PRICE OF MILK 1925 TO 1932, INCLUSIVE

—	Purchase price		Selling price per qt.	Spread per qt.	Purchase price		Selling price Per qt.	Spread Per qt.
	Per cwt.	Per qt.			Per cwt.	Per qt.		
1925					1927			
January	$2.50	$0·0644	$0·13	$0·0656	$2.90	$0·0747	$0·14	$0·0653
February	2.50	0·0644	0·13	0·0656	2.90	0·0747	0·14	0·0653
March	2.50	0·0644	0·13	0·0656	2.90	0·0747	0·14	0·0653
April	2.50	0·0644	0·13	0·0656	2.90	0·0747	0·14	0·0653
May	2.10	0·0541	0·12	0·0659	2.10	0·0541	0·12	0·0659
June	2.10	0·0541	0·12	0·0659	2.10	0·0541	0·12	0·0659
July	2.10	0·0541	0·12	0·0659	2.10	0·0541	0·12	0·0659
August	2.10	0·0541	0·12	0·0659	2.10	0·0541	0·12	0·0659
September	2.10	0·0541	0·12	0·0659	2.10	0·0541	0·12	0·0659
October	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0677
November	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0678
December	2.90	0·0747	0·14	0·0653	2·805	0·0723	0·14	0·0677
Average	2·366	0·0609	0·1266	0·0657	2.55	0·0657	0·1316	0·0659
1926					1928			
January	2.90	0·0747	0·14	0·0653	2·805	0·0723	0·14	0·0677
February	2.90	0·0747	0·14	0·0653	2·805	0·0723	0·14	0·0677
March	2.90	0·0747	0·14	0·0653	2·805	0·0723	0·14	0·0677
April	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0677
May	2.10	0·0541	0·12	0·0659	2.03	0·0523	0·12	0·0677
June	2.10	0·0541	0·12	0·0659	2.03	0·0523	0·12	0·0677
July	2.10	0·0541	0·12	0·0659	2.03	0·0523	0·12	0·0677
August	2.10	0·0541	0·12	0·0659	2.03	0·0523	0·12	0·0677
September	2.50	0·0644	0·13	0·0656	2.03	0·0523	0·12	0·0677
October	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0677
November	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0677
December	2.50	0·0644	0·13	0·0656	2·805	0·0723	0·14	0·0677
Average	2·466	0·0635	0·1291	0·0656	2·482	0·0639	0·1316	0·0677
1929					1931			
January	2·805	0·0723	0·14	0·0677	2.40	0·0618	0·13	0·0682
February	2·805	0·0723	0·14	0·0677	2.40	0·0618	0·13	0·0682
March	2·805	0·0723	0·14	0·0677	2.03	0·0523	0·12	0·0677
April	2·805	0·0723	0·14	0·0677	2.03	0·0523	0·12	0·0677
May	2·805	0·0723	0·14	0·0677	2.03	0·0523	0·12	0·0677
June	2.39	0·0616	0·13	0·0684	1.70	0·0438	0·11	0·0662
July	2.39	0·0616	0·13	0·0684	1.70	0·0438	0·11	0·0662
August	2.39	0·0616	0·13	0·0684	1.70	0·0438	0·11	0·0662
September	2.39	0·0616	0.13	0·0684	1.70	0·0438	0·11	0·0662
October	2·805	0·0723	0·14	0·0677	1.70	0·0438	0·11	0·0662
November	2·805	0·0723	0·14	0·0677	1.70	0·0438	0·11	0·0662
December	3.20	0·0825	0·15	0·0675	1.70	0·0438	0·11	0·0662
Average	2·699	0·0696	0·1376	0·0680	1·899	0·0489	0·1158	0·0669
1930					932			
January	3.20	0·0825	0·15	0·0675	1.70	0·0438	0·11	0·0662
February	2·805	0·0723	0·14	0·0677	1.70	0·0438	0·11	0·0662
March	2·805	0·0723	0·14	0·0677	1.70	0·0438	0·11	0·0662
April	2·805	0·0723	0·14	0·0677	1·525	0·0393	0·105	0·0657
May	2·805	0·0723	0·14	0·0677	1.35	0·0348	0·10	0·0652
June	2.03	0·0523	0·12	0·0677	1.35	0·0348	0·10	0·0652
July	2.03	0·0523	0·12	0·0677	1.35	0·0348	0·10	0·0652
August	2.03	0·0523	0·12	0·0677	1.35	0·0348	0·10	0·0652
September	2.03	0·0523	0·12	0·0677	1.35	0·0348	0·10	0·0652
October	2.40	0·0618	0·13	0·0682	1.35	0·0348	0·10	0·0652
November	2.40	0·0618	0·13	0·0682	1.35	0·0348	0·10	0·0652
December	2.40	0·0618	0·13	0·0682	1.60	0·0412	0·11	0·0688
Average	2·479	0·0639	0·1316	0·0677	1·476	0·0381	0·1038	0·0657

J. J. JOUBERT LIMITEE

Butter Manufactured in Year 1932

2,061,710 lbs. of butter manufactured in 1932.

Sweet Cream Purchased in 1932

1,306,528 lbs. of cream or 452,806 lbs. of butterfat at $117,282.84.

Pounds of Milk Paid as Surplus Milk in 1932

	5,275,681	lbs. of milk—	$43,242.78 = ·8196	Average price for surplus milk.
Milk used in manufacture to standardize cream and for ice cream	1,283,970	"	12,839.70 = 1·00	Average price of milk used in manufactured products.
	6,559,661	"	$56,082.48 = ·8549	Average price of milk per 100 lbs. for surplus and manufacture for year 1932.

J. J. JOUBERT LIMITEE

Pounds of Milk Paid at Manufacturing Price Used in Standardizing Cream

From April 1st to October 31st, 1932 .... 409,711 lbs.

Report on Ice Cream

From April to December inclusively, Year 1932

Amount of Sales taxable—$390,000.44 at 6 per cent.	
Amount paid for Tax	$23,399 69
Less Sales Tax paid on Sales of Popsicles	551 49
Sales Tax paid on Ice Cream Sales	$22,848 20

J. J. JOUBERT LIMITEE

Sale Price of Different Grades of Cream—Year 1932

—	Retail			Wholesale			
	½ Pts.	Pints	Quarts	½ Pts.	Pints	Quarts	Gallons
	cents	cents	cents	cents	cents	cents	$ cts.
Cream—10%	10	20	40	....	....	25	1 00
" 15% XX	15	30	60	12	24	35	1 40—1 20
" 20%	....	....	....	....	....	....	1 60—1 40
" 25%	20	....	....	16	....	....	1 75—1 50—1 45
" 30%	....	....	....	....	....	45	1 80
" 35% xxx	25	50	1 00	20	40	45—50—42½	1 90—1 80—1 70
Sour cream—15%	....	....	....	....	....	....	1 10—0 95
Sour cream—20%	13	26	52	11	20	40	

J. J. JOUBERT LIMITEE

STATEMENT OF OPERATING RESULTS—BY PRODUCTS

12 Months ended December 31, 1932

Operating results	Past. fluid, qts.	Cream, ½ pts.	Cultured milk, qts.	Skim milk, qts.	Butter, lbs.	Eggs, doz.
Sales	1,125,360 80	392,191 62	7,376 30	4,188 31	827,560 97	133,080 53
Net profit	29,677 42	129,969 68	(944 63)	(197 95)	(5,982 60)	(944 35)
Quantities	11,443,526	3,135,300	190,991	1,665,662	3,463,802	445,577
Unit averages	12 months	12 months	12 months	12 months	12 months	12 months
Sales	0·0983	0·1251	0·0386	0·00251	0·2389	0·2987
Cost of product	0·0387	0·0624	....	....	....	....
Income tax	0·0003	0·0047	(0·0006)	....	(0·0001)	(0·0002)
Net profit	0·0023	0·0368	(0·0043)	(0·00001)	(0·0016)	(0·0019)

Operating results	Cheese, ½ lbs.	S/M powder, lbs.	Ice cream, gals.	Summary
Sales	3,731 36	3,496 49	500,778 49 Ded.43,076 69 457,701 80	2,997,764 87 43,076 69 2,954,688 18
Net profit	(55·62)	380 50	3,831 82	155,734 27
Quantities	10,370	44,751	318,186	....
Unit averages	12 months	12 months	12 months	
Sales	0·3598	0·0781	1·438	....
Cost of product	....	....	....	....
Income tax	(0·0006)	0·0009	0·0014	....
Net profit	(0·0048)	0·0076	0·0106	....

GUARANTEED PURE MILK COMPANY LIMITED

STATEMENT YEAR ENDED DECEMBER 31, 1932

OFFICE OF WRIGHT & KINGAN

CHARTERED ACCOUNTANTS

Montreal

MONTREAL, February 28, 1933.

The president and shareholders,
Guaranteed Pure Milk Company Limited,
Montreal, Que.

GENTLEMEN,—We beg to report, that we have audited the books of your Company for the year ended on the 31st December, 1932, and have prepared the accompanying statements of Assets and Liabilities, and Trading and Profit and Loss Accounts. In our opinion, they are in proper form, and present a full and fair exhibit of the position of the Company as at that date to the best of our knowledge from information furnished to us and as shown by the books.

We have verified the securities on hand and have accepted the revaluation shown last year.

We are informed that as in former years no dividend will be declared.

All our requirements as Auditors have been complied with.

Yours very truly,

WRIGHT & KINGAN,
Auditors.

GUARANTEED PURE MILK COMPANY, LIMITED

GENERAL STATEMENT, DECEMBER 31, 1932

Assets

Cash on hand	$ 336 74		
Cash in Banks	292,074 64		
		$292,411 38	
Stock on hand—Milk	$ 3,048 40		
Cream	2,086 78		
Butter	14,835 00		
Eggs	52 00		
		20,022 18	
Accounts receivable		116,279 51	
Investments		860,195 69	
			$1,288,908 76
Bottles	$ 10,000 00		
Caps	1,000 00		
Cans	6,310 91		
Containers	21,157 19		
Harness	7,000 00		
Horses	33,842 65		
Horse rolling stock	56,600 00		
Motor vehicles	39,585 98		
		$ 175,496 73	
Furniture	$ 6,414 14		
Bacteriological Dept	835 91		
Plant and machinery	394,140 34		
		401,390 39	
			575,887 12
Real estate Land Aqueduct	$ 67,774 00		
North End	9,000 00		
East End	8,335 80		
St. Catherine St	188,000 00		
Winchester	1,000 00		
		$ 274,109 80	
Buildings Aqueduct	$ 324,966 59		
St. Catharine	368,461 53		
North End	41,080 59		
East End	29,162 54		
Winchester	2,500 00		
		766,171 25	
			1,040,281 05
Goodwill			20,000 00
			$2,926,076 93

Liabilities

Accounts payable—Trade	$ 9,552 49		
Suppliers	52,873 10		
		$ 62,425 59	
Drivers Bond Account	26,546 79		
Suspense Account	1,282 64		
Outstanding cheques	70 05		
		27,899 48	
			$ 90,325 07
Reserve for Tickets outstanding	$ 7,000 00		
" Doubtful accounts	5,000 00		
		$ 12,000 00	
Reserve for Depreciation of—			
Bacteriological Dept	$ 547 66		
Buildings	143,349 85		
Cans	5,258 11		
Containers	16,238 37		
Furniture	3,807 52		
Harness	4,099 70		
Horses	31,118 12		
Horse rolling stock	49,826 35		
Motor vehicles	25,967 38		
Plant and machinery	203,276 08		
		483,489 14	
			495,489 14
First mortgage bonds			320,000 00
Capital and surplus—			
7,500 shares no par value Common stock		225,000 00	
Surplus account		$1,795,262 72	
			2,020,262 72
			$2,926,076 93

The above is the statement referred to in our report.

WRIGHT & KINGAN,
Auditors.

GUARANTEED PURE MILK COMPANY LIMITED—*Continued.*

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST DECEMBER 1932

Loss Bonds sold	$ 1,125 00	Balance from trading account	$ 138,081 53
Income tax 1931	22,559 43	Rentals	5,976 03
Balance down	164,374 79	Interest on investments	44,001 66
	188,059 22		188,059 22
		Balance last year	$ 1,630,887 93
		Balance from above	164,374 79
			$ 1,795,262 72

TRADING ACCOUNT YEAR ENDED 31ST DECEMBER 1932

1932 Dec. 31	By	milk sales	$ 1,046,971 98		
		Cream sales	350,892 34		
		Butter sales	87,488 78		
		Egg sales	10,655 07		
		Ice	8,481 00		
		Steam	2,400 00		
					$ 1,506,889 17
		Milk stock on hand	$ 3,048 40		
		Cream stock on hand	2,086 78		
		Butter stock on hand	14,835 00		
		Egg stock on hand	52 00		
					20,022 18
					1,526,911 35
1932 Jan. 1	To	milk stock Jan. 1st, 1932	3,498 59		
		Cream stock Jan. 1st, 1932	1,681 89		
		Butter stock Jan. 1st, 1932	12,143 04		
		Egg stock Jan. 1st, 1932	145 60		
				17,469 12	
Dec. 31		Milk purchases	535,412 29		
		Cream purchases	99,566 11		
		Butter purchases	62,335 00		
		Eggs purchases	8,104 66		
				705,418 06	
					722,887 18
					804,024 17
		Dairy charges and expenses	7,260 41		
		Dairy wages	54,166 51		
		Motive power wages	23,762 73		
		Caps	5,379 39		
		Butter cartons and wrappers	3,058 05		
		Egg expense	456 94		
		Bottles depreciation and loss	15,016 04		
		Water	3,933 22		
				113,033 29	
		Plant and machinery repairs		1,914 11	
					114,947 40
					689,076 77
		Drivers' wages	170,832 49		
		Drivers' commission	46,074 10		
		Stable expenses and supplies	21,266 61		
		Stable wages	24,054 27		
		Motor vehicle wages	9,100 52		
		Motor vehicle expenses	5,668 15		
				276,996 14	
		Motor vehicle repairs	3,570 58		
		Rolling stock repairs and wages	5,795 44		
				9,366 02	
		Horses loss		1,508 00	
					287,870 16

GUARANTEED PURE MILK COMPANY LIMITED—*Concluded*

TRADING ACCOUNT YEAR ENDED 31ST DECEMBER, 1932—*Concluded*

1932				
Dec. 31	Administration		$ 37,800 00	
	Advertising		12,560 94	
	Bond interest		19,200 00	
	Building repairs and general		2,088 70	
	Customary allowances		10,855 43	
	Donations		2,100 00	
	Expense		1,981 15	
	Express		197 83	
	Inland Revenue stamps		383 25	
	Insurance		5,422 90	
	Law costs		93 05	
	Licences		3,871 70	
	Light and heat		1,798 07	
	Postage, phones and telegrams		3,969 97	
	Printing and stationery		2,309 21	
	Professional services		1,708 65	
	Taxes: Municipal		19,972 46	
	Federal		10 00	
	Provincial		325 00	
	Tickets		1,453 47	
	Travelling		708 61	
	Wages: General		2,600 00	
	Office		49,063 00	
	Washing and cleaning		1,236 48	
			181,709 87	
	Less discount	$ 202 31		
	Interest	4,077 87		
			4,280 18	
				$ 177,429 69
	Gross trading profit			223,776 92
	Less Depreciation allowed by Dominion Government		78,023 27	
	Bad debts written off		7,828 42	
				85,851 69
				137,925 23
	Gain on motor vehicles sold or traded			156 30
				138,081 53

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 11, 1933

No. 13

Reference,—Milk and Milk Products

WITNESSES:

Cecil G. Marrotte, Accountant, Montreal.

E. A. Cousins, President, Ernest Cousins, Ltd., Montreal.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, April 11, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present, Messrs. Barber, Bowman, Bouchard, Bowen, Butcher, Dupuis, Goulet, Hay, Lucas, McGillis, Moore, Motherwell, Pickel, Porteous, Senn, Shaver, Spotton, Stirling, Taylor, Thompson, Tummon, Weese, Weir (*Macdonald*), Wilson.

Witnesses Cecil G. Marrotte, accountant, Montreal, and E. A. Cousins, president of Ernest Cousins Limited, were called, sworn, examined and retired.

The meeting adjourned till Wednesday, April twelfth at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 11, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we will ask Mr. Cousins and Mr. Marrotte to come forward.

CECIL G. MARROTTE, called and sworn.

By the Chairman:

Q. Give the reporter your name?—A. Cecil G. Marrotte.

Q. What is your occupation?—A. Chartered accountant for the firm of Marrotte, Anderson and Company, chartered accountants.

Q. And your address?—A. 388 St. James street, Montreal.

Q. You have no statement to make?—A. No, sir.

By Mr. Bowman:

Q. How long have you been an accountant for the firm of Ernest Cousins Limited?—A. Since about 1925; perhaps a little before, 1924.

Q. So that you are familiar with the reorganization which was first planned in 1925?—A. Yes, sir.

Q. Subsequently changed in 1928?—A. Yes, sir.

Q. Mr. Cousins in first giving his evidence to the committee stated that the old business which I understand was not incorporated but was a private business operated by Mr. Cousins himself just simply as a registered company, was valued at approximately $125,000?—A. Well, by whom?

Q. By himself?—A. He valued it at that.

Q. Himself. And I would take it from the figures which appear now at page 430 of the report of the evidence taken before the committee made up of these first items, the company acquired from the old company first net assets of $115,789.98, less liabilities of $76,931.73, leaving a remainder of $39,758.25, plus goodwill of $85,830.44 and making a total of $125,588.69 would approximate the valuation which Mr. Cousins set upon his business?—A. Yes. It so happens that it approximates it.

Q. It approximates it. Mr. Cousins only made a rough estimate and he apparently came within $588 of it, did he not?—A. Yes, well—

Q. We do not want to assume anything that is not correct?—A. The reason I mentioned that, Mr. Bowman, is this, that $125,000 that Mr. Cousins valued it at had no connection with this figure—this $125,000. The $85,000— Let me put it this way—the $85,000 goodwill figure is put in there to balance up with the amount of stock that was given; see what I mean? It so happens it comes to $125,000.

Q. But it so happens that the stock that actually was issued approximates the value which Mr. Cousins placed upon the business?—A. That is right.

Q. And which, after all, would be quite reasonable, would it not?—A. Yes.

Q. Now, the real equity, however, which Mr. Cousins had in that business was $39,758.25?—A. Right. That was the net assets.

Q. And was taken in as goodwill under the reorganization—$85,830.44?—A. Right.

Q. In other words, there was taken in for goodwill double what the real asset or real physical assets of the business were?—A. That is right.

Q. Now, I am not going to bother you about the 1925 set-up, Mr. Marrotte, because that will only confuse us; the 1925 set-up of the company was not carried through. That is, the agreement which was made in 1925 was not carried through because the company which undertook the flotation of your stock was not able to carry out their undertaking?—A. That is right.

Q. Now, we have then the figure of $125,588.69, on top of which there is $77,594.56 which was cash payment brought in from the old company, from the stock which had been sold out of the allotment previously made?—A. Yes.

Q. Bringing the total capitalization of the company then as of sometime in 1928 to $203,183.25?—A. Right.

Q. And that total capitalization was made up of 6,124 shares of preferred stock of the value of $25, plus 10,000 shares of no par value stock figured at $5 per share, $50,000, plus a cash payment of $83.25; is that correct?—A. That is consideration; yes.

Q. Now, let us go back a step. On the other side of the page it is noted that the old company—there had been issued 936 preferred shares at $100 at par value, making a total of $93,600; 741 common at $25, making a total of $18,525, 40 common at $12.50, making a total of $500, 100 common at $8 making a total of $800; or, in all, shares issued to the total value of $113,425; is that correct?—A. Yes.

Q. Now, when the new organization took place, Mr. Marrotte, this $113,425 worth of stock was exchanged for an equivalent amount of preferential stock of the par value of $25 each?—A. Not the number of shares was not—the value.

Q. No. I say the dollars' worth?—A. Yes, the dollars.

Q. And there was then issued 4,537 shares?—A. Yes. That is right; 4,537 shares—yes, sir.

Q. Now, that amount—I want the committee to get a rough grasp of this 6,124 issued finally in 1928; that is 4,537?—A. Yes.

Q. Another 1,587 of these preferred shares at $25, bringing the total par value to $69,675, was issued to cover the equity of the old company?—A. Yes.

Q. That was turned over?—A. Right.

Q. So that these two amounts which cover all the stock certificates that had been issued previously plus the equity which was being turned over, totalled 6,124 shares of a total value of $153,100?—A. Yes.

Q. Now, we have got rid of the old preferred stock; we have got rid of the old common stock?—A. Well, how do you mean we have got rid of all the old common stock?

Q. That was issued?—A. Yes. That was issued.

Q. I do not mean the authorized at all, but I mean the stock that was issued; and we have a total amount of 6,124 shares of preferred stock at the value of $25 which represents the total amount which is outstanding to-day?—A. That is right.

Q. Now, will you explain where and how the 10,000 shares of non-par value stock became issued?—A. 10,000 no-par value shares—the $113,425 worth of stock—

Q. I beg your pardon?—A. The $113,425 preferred stock was issued to the purchasers for cash.

Q. Not preferred—preferred plus common.

Mr. Pickel: Preferred and common.

By Mr. Bowman:

Q. Yes, preferred and common?—A. No; only the preferred. All of the subscribers who subscribed the $113,000.

Q. You mean the second issue?—A. Yes. They got one $25 preferred share for each $25 they invested in the company regardless of whether they invested in common or preferred stock, and for every $25 they invested.

Q. Or any portion thereof, according to the dollar value?—A. That is right. Mr. Cousins' old company got $39,675 for his assets—that is the actual assets—the net value of the assets over the liabilities; and in addition to that—

Q. In preferred stock?—A. That was all preferred stock. In addition to that the old company got 10,000 no par value shares. Those shares were given to the old company for the goodwill.

Q. They were given to the old company?—A. For the goodwill of the old company.

Q. That is the goodwill. Will you say that this will be correct: that the goodwill was written down—the goodwill is shown in the statement as $85,830? —A. Well, yes; the goodwill is shown at $85,830, but the $50,000—you see, the new company—this company here took over the assets $39,000, goodwill $85,000, and the cash payments $77,594. That figure came to $203,183.25. Now, the consideration for that, as you stated before, is $153,100 preferred stock, $50,000 common and $83.25 in cash.

Q. All right. In any event, this fact remains clear that the 10,000 non-par value stock was issued to the old company for their goodwill?—A. Right; part consideration.

Q. And the old stockholders, whether common or preferred, got paid to the value of one hundred cents on the dollar in preferred stock?—A. They got paid to the value of one hundred cents on the dollar for their net assets.

Q. Yes.—A. Exclusively.

Q. Now, what has happened to the 10,000 shares to be issued to the old company?—A. Well, they were given to the old company and originally—originally, in the first financial plan—

Q. That will only confuse us. Can you give us roughly something about that?—A. Just briefly what happened was this: Mr. Cousins, as the old company, got 10,000 shares. Now, during the first three years the company did not pay any dividends. They were not able to pay any dividends on preferred shares, and when the time of reorganization took place Mr. Cousins gave the shareholders three shares—one that they already had, because most of them bought the stock originally on the unit plan—and two new shares which made three shares that he gave out of the 10,000 to the preferred shareholders instead of preferred dividends. Now, that company did not give the shares. The company did give them to the old company—say, the old company, or Mr. Cousins, if you like, gave those himself personally.

Q. You say one to three. Will you take the figures that are there and show me how it works out exactly?—A. Well, I say one to three because in the first, roughly here in this 936 preferred shares you will see here are 741 common that were sold. They were probably mostly sold to the original subscribers.

Q. Tell me what common stock was issued to those people—non-par value fully issued to those people?—A. Well, they bought for $125 one preferred $100 share in the first instance and one common share.

Q. At the value of $25?—A. Well, they paid $125 for both.

Q. For the four and one?—A. Yes, for the four and one. Now, most of them bought it on that basis, so when the rearrangement was made they retained that share and were given two new shares, roughly, practically all of them.

Q. Just give me the figures of what they were actually issued at?—A. I am sorry we have not got the exact number of the shares that each shareholder got here or that was given out. I can get it for you. Approximately, they got three shares each. There may be some little difference because some of the shareholders, maybe, bought the shares at slightly different prices. Now, for

all the shareholders, the preferred shareholders bought their shares under the unit plan. They bought them, I think, three no par value shares. Some may have been sold on a slightly different plan and perhaps shares might have been treated a little different.

Q. Let us take this first. We have 936 preferred shares at $100?—A. Yes, sir.

Q. Now, how many non par value shares were given to that group?—A. Well, I cannot tell you that.

Q. Well, cannot you give to me from the memorandum you have before you—that agreement that was made there?—A. We only made that up roughly, because we did not think you would want to know the exact number to each shareholder. That figure was simply made up by figuring. If you would explain that a little differently I might be able to understand just what your purpose in getting at this figure is.

Q. What I am trying to get at is this, Mr. Marrotte: we have now the old company paid up in full except for goodwill by issuing to them dollar for dollar preferred shares?—A. Right.

Q. Now, I want to know what happened to the non par value shares. The company say there were 10,000 issued. I want to know to whom they were issued and under what circumstances?—A. They were all issued to Mr. Cousins as I said. He gave those himself out of his personal holdings. They were not given by the company. I have no record in the company's books except in the stock book of who got those shares. You see what I mean?

Q. Will you, Mr. Clerk, hand to Mr. Marrotte No. 10 volume of the evidence and direct his attention to page 346. At the bottom of the page you will notice there is "capital structure—Ernest Cousins limited." Have you got the part?—A. Yes, sir.

Q. Do you see the memorandum "bonus subscribers $6,125." For 1,225 shares that would be—"preferred $12,250" or an equivalent would be 2,450 shares; and "goodwill 6,329 shares" or $31,625. You see the point I am trying to make. In the first statement that was presented to this committee Mr. Cousins junior stated that no dividends were paid up to the year 1931. That was subsequently corrected by showing that dividends were paid by the issuing of non par value shares?—A. Well, as a matter of fact, Mr. Frank Cousins, I guess, was right; because this company did not pay any dividends—these shares were given to Mr. Cousins. Mr. Cousins gave them out of his own personal holdings.

Q. Gave them as part of the deal?—A. He gave them as part of the deal because we felt that the time the deal was made that the shareholders should get some consideration for the interest, and Mr. Cousins gave this up voluntarily. This was about two or three years after he had been given those 10,000. He did not do it at the time he got the 10,000 in the first place.

By the Chairman:

Q. There was no understanding at that time?—A. There was no understanding at that time. Mr. Cousins gave them voluntarily to the shareholders to try and be fair to the shareholders and to try and get the company in position where it would be able to pay dividends and clean up to date rather than have these three or four years after the time.

Q. Would it not have been fairer to have made the consideration at the time rather than two or three years afterwards?—A. At the time he made—when he got the 10,000 shares in the first place he anticipated, I suppose, he would not be able to pay dividends, and he had no obligation to do it.

By Mr. Bowman:

Q. Now, you would rather qualify that, I think,—"no personal obligation"—but don't forget that these are cumulative shares, cumulative preferred shares?—A. Right.

Q. And the preferred dividends by way of issue of common no par value shares were issued in 1928. They paid and were accepted in payment of the cumulative dividends which were due at that time?—A. Right.

Q. There was issued, according to that statement, for goodwill, 6325 —A. Well, that statement is not quite right. This statement here was not made up for the purpose of showing the goodwill, it was made up to show what happened to Mr. Cousins' shares, to the 10,000 shares which Mr. Cousins had—that $12,250 is supposed to represent all the shares that were given to them. and the $6,125 represented the shares they had in the first place.

Q. Shares they had in the first place?—A. The one share which they bought.

Q. Might I ask you this question, you say that this statement is not correct, now why isn't it correct?—A. When you referred to it as showing the goodwill of the concern $31,625, the goodwill figure of the concern here is this other figure that we have, $85,830.44.

Q. Yes, and that is really the figure that was taken?—A. That is the figure that we set up in the statement.

Q. Absolutely, and for this Mr. Cousins received this 10,000 no par value shares?—A. Right.

Q. Because he got paid in full for the $79,000 he had?—A. Right.

Q. In other words, we take this to be granted, that Mr. Cousins got as a sort of goodwill, as the fact is, that he got 10,000 no par value shares for the goodwill in the business. Then, of the 10,000 shares in 1928 he gave out to the subscribers to the company in settlement of preferred dividends, 2,450 shares?—A. 2,450 shares, worth about $18,000.

Q. $12,270 according to the statement. There had been previously given, in addition to the bonus to the various subscribers in the company, 1,225 shares or the equivalent of $6,125?—A. Right.

Q. Now, that accounts for the 10,000 shares, and as a matter of fact, when we look at the subscription list which was furnished by Mr. Cousins yesterday, we find at the present time he holds 6,300.

Mr. COUSINS: 6,992.

By Mr. Bowman:

Q. Mr. Cousins holds at the present time 6,992 no par value shares of the company. Now, as the company developed from time to time, Mr. Marotte, the value of the preferred shares being fixed, as there was an increase in the business, and an increase in the value of the general company, the value of the no par value shares would increase?—A. They would increase, yes.

Q. Now, will you refer to the statement that is contained in report No. 10 of the evidence?—A. On what page, Mr. Bowman?

Q. On page 343.—A. Yes, sir.

Q. Now, you are familiar with the company's method of keeping books? —A. Yes, sir, financially.

Q. They set up a depreciation account?—A. Yes, sir.

Q. What is the amount standing to the credit of the depreciation account at the end of 1932?—A. This is the 1931 account that is on page 343.

Q. I think there is another for 1932 on file.

The CHAIRMAN: At page 345.

WITNESS: That is the profit and loss account only on page 345.

By Mr. Bowman:

Q. Well, have you anything to show what the depreciation account stood at at the end of 1932?—A. Yes, sir. Do you want the same statement as here? I can give it for that year too.

Q. For 1931?—A. Yes, sir.

Q. You might do that.—A. Reserve for depreciation for buildings at the 31st December, 1931, was $10,659.53; machinery and equipment, $30,412.81; delivery equipment, $26,723.68; office furniture and fixtures, $2,541.93.

Q. Making a total of?—A. A total of $70,337.95.

Q. Now, will you give me the similar figures for 1932?—A. These are tentative 1932 figures.

Q. Yes, will you let me have them?—A. Yes, buildings, $12,871.79; machinery and equipment, $45,907.47; delivery equipment, $34,021.29; office furniture and fixtures, $3,009.99.

Q. And the total?—A. $95,810.54.

Q. Now, that is an account set up as a reserve for depreciation, and at the end of 1932 it totalled $95,810.54?—A. Yes, sir, $95,810.54.

Q. Will you look at the account that you have set up for reserve of bad debts?—A. For 1931, sir?

Q. Yes, if you don't mind.—A. Is that on page 348?

The CHAIRMAN: It is on page 349.

By Mr. Bowman:

Q. Yes, where is that, Mr. Marotte?—A. On page 348, that is December 31, 1931. You were asking about the reserve, I take it.

Q. I am asking about the reserve.—Right—page 348.

The CHAIRMAN: The first item, Mr. Bowman, at the top of the page, marked "Current."

By Mr. Bowman:

Q. Now, looking at page 348, will you just tell me, Mr. Marotte, where that item is?—A. Right in the upper left hand corner there, the third item down, accounts receivable—trade, and under that less reserve, $12,098.71.

Q. That is reserve for bad debts?—A. That is reserve for bad debts.

Q. Which is carried forward from the preceding year, or would that be the reserve at the end of the year?—A. That would be the reserve at the end of the year, we go over the accounts and figure out the accounts which we think it is necessary to provide for.

Q. That is, after you have figured out the amount that it is necessary to provide for bad debts, after you have taken that into consideration, you still have this amount?—A. No, we had to go over the ledgers and estimate the bad accounts, and those are the accounts in there that apparently are bad, but we hope they won't all be bad.

Q. Well, I can't reconcile that with the figure below, please reconcile it for me. At the bottom of that page, the bad and doubtful debts are set at $19,401.39, would you kindly reconcile the two figures.—A. That is the amount written off for the year. There is a possible difference there as the reserve at the end of last year had to be taken into consideration, and the reserve accounts during the year written off. Any monies collected from accounts that we thought were bad last year had to be adjusted there so that the actual loss over the year was the amount written off for the year, or $19,401,39, which brought the reserve up to $12,098.71 at the end of the year.

Q. At the end of the year?—A. Yes, sir.

Q. But the true picture of your reserve account would be the total of these two sums?—A. No, sir, it would be the difference. One is charged against profits and the other is our provision.

Q. That you set up as reserve for bad debt accounts?—A. Yes, we charge it against our profit and loss.

Q. Well, have you that account here?—A. The details of our bad debts?

Q. No, reserve, the account itself—the reserve account that you spoke of.—A. Well, that is it, sir, that will be the total of our bad debt account,

$12,098.71. For instance if I might perhaps explain that, as we look over our accounts at the end of the year, and we decide that we need $10,000, well, I must make a charge in my profit and loss account of $10,000, and I credit up my reserve for bad debts account with $10,000.

Q. That is the point exactly that I am coming at.—A. These two figures apparently would be the same, if we had no other entries in the reserve. For instance, it is not the same at the end of 1931, as it was at the end of 1930, there would be an entry in there of the difference of the amount of money—the difference between the $19,000 and the $12,000. I haven't got those figures here, but if you would like me to, I can get those figures for you.

Q. You have your reserve for bad debts account?—A. Yes.

Q. And on the credit side of that account you carry forward each year a certain amount which you estimate as your bad debts for a particular year, or approximately what your bad debts will be for a particular year?—A. Exactly. There is no carry forward, there is nothing cumulative about it.

Q. I know, but just a moment, you have this on the credit side of your bad debt account?—A. True.

Q. You put on the debit side of that account, the actual loss at the end of the year, you say; so that you are carrying forward in that account from year to year, either a debit or a credit balance?—A. We carry forward the balance, only after considering the amount that it may be necessary to either reduce or increase the account by, I mean that if we had $10,000 as reserve at the start of the year, and our loss was $12,000 bad debts.

Q. You wrote $2,000 off?—A. We had to write off $2,000 bad debts, because we had written off $10,000 the previous year.

Q. Well, this $19,401 was the estimate at the end of the year in order to make up your financial statement. What was the amount to the credit of your reserves for bar debt account?—A. At the beginning of the year?

Q. Yes.—A. I can give you that, sir, but it won't balance.

Q. Well, as a matter of fact the reserve for bad debt accounts never balances?—A. It won't balance with this figure, but we can account for it.

Q. You can account for it, please do that?—A. Right, sir. At the end of 1930 the amount was $8,105.56.

Q. Now, is that at the end of 1931?—A. That was at the end of 1930.

Q. Can you give it for the end of 1931?—A. At the end of 1931 it was $12,098.71 plus—we have a special reserve for each year that we set up on the other side of $10,000, you will find that if you look on the same page on the right-hand side.

Q. Special reserve for accounts received?—A. Yes, sir.

Q. In other words, then, what was the total reserve for bad debts set aside in the year 1931?—A. The total charge for bad debts during 1931 was this other figure that we had.

Q. That is, the $19,000?—A. Yes, sir.

Q. Perhaps the book-keeper, I presume the young man who is sitting next to you is the book-keeper of the company?—A. No, he is a member of my staff.

Q. Oh, I see. Possibly you could tell me, Mr. Marrotte, whether or not—I know that in 1932 there was about $18,000, I am speaking from memory, set aside for bad debts?—A. Yes, sir.

Q. Is that what the bad debts of the company ran to, $18,000 to $19,000 a year?—A. They have not been running at that so much, Mr. Bowman; but with present conditions the way they are and as this company has some very large wholesale accounts, it is unfortunately necessary for the company to extend credit to two or three of their important customers. What I mean by extending credit, probably you know, they are getting paid for the current stock, but their company is not in a position to pay their own account. Now, I have a memorandum of these accounts here, there are three or four different accounts.

Q. Well, speaking from memory, what would you say taking the reserve set aside from last year—about $18,000, speaking from memory—at the present time, what would be the total outstanding for 1932?—A. The total amount still outstanding?

Q. Yes, the reason I am asking, Mr. Marrotte, I do not know much about this business but frankly the amount seems to me to be a large amount?—A. It is a large amount.

Q. A large amount to set aside for bad debts?—A. It is a large amount, but the circumstances are very unusual, and I might say that I was worried about it, as a matter of fact, because I don't think under present conditions it is going to help anybody, sir, at an inquiry of this kind to which a certain amount of publicity attaches and at which names would have to be given. I would be very pleased to show anybody, you or anyone else, any of these accounts, or if you would care to send anyone to look into them.

Q. We have no desire to do that at all, Mr. Marrotte. We are quite prepared to accept the statement?—A. I feel that the reserve is required, I don't say that the money will all be lost but I will say that I have seen other companies that were no better and some that were no worse for losses, and I think the reserves we set up at that time were fair.

Q. Yes. Now, at the beginning of 1931 the reserve which at that time was estimated goes to the credit of your reserve for bad debts account?—A. Yes, sir.

Q. That was $12,098.71 reserve which at that time was not called upon, in fact that was reserve. This year, on the other side of the picture, you have $12,000 for bad debt accounts which, as a matter of fact, you haven't needed?—A. Well, we needed that you see, that $12,000 for reserve, our doubtful accounts are included in that principal figure of $76,000. You see, we don't deduct them all, this account was included in the principal. We lost a large number of others, maybe not all, some of them perhaps we were able to collect but probably the large part of them were lost during the year.

Q. Well, I may perhaps not be very clear on the subject, but in the first place you set up your accounts receivable, your trade accounts at $76,000 odd, then you take off as reserve $12,098.71?—A. Yes, sir.

Q. Well, then, further down in the account in the same section you set up a further reserve of $19,401.39.—A. Where is that?

Q. At the bottom of the page?—A. Oh, yes, that was written off. This $19,000 includes—you see we had at the beginning of the year $8,000. Now, if we had lost any bad debts, if we hadn't got any worse off during the year, if we hadn't had to write off any accounts, we would only have had to write off $4,000 to bring our reserve up to what we had at the time we started this reserve.

Q. Well, at the end of the year you added a further sum to that account?—A. We added a further sum at the end of the year, because our bad debts at that time showed us that we needed that reserve.

Q. Of $19,000?—A. No, of $12,000, that is the figure in the balance sheet, the $19,000 is what I had allowed for my adjustment; but to get that $12,000, that is $12,000 plus the $10,000 making $22,000, because I had the $10,000 on the other side. You see what I mean.

Q. Well, probably some other member of the committee may be able to get it a little more clear. Now, just one or two other questions. Oh, yes, the item of goodwill in the 1931 account, on the page you are looking at, page 348—goodwill has been set up at $87,507.44?—A. Yes, sir.

Q. Now, correct me if I am not right, this is the new goodwill account set up within the firm?—A. Yes, sir.

Q. The old goodwill, which is figured at some $85,000 was wiped out in 1928 by paying Mr. Cousins 10,000 shares of no par value stock?—A. No.

Q. All right, what was it?—A. The $85,000 was a goodwill charge on the new company's books—$85,834. That was the goodwill in the new company's books of the old business. That is the value that we have had, I mean the new company has had on their books ever since the reorganization plan. Now, that $85,000 was the difference between the consideration that the company gave for the old business and the assets they took over.

Q. Well, it was goodwill, I don't care what you call it?—A. Yes, it is the goodwill of this company.

Q. You said it was goodwill?—A. Yes, it is that balance I said.

Q. Well, if the goodwill is actually paid for do you mean to say you will continue to carry it forward in the new firm?—A. Well, the new firm is the firm that paid it.

Q. And this amount is still carried forward in the new firm?—A. Yes.

Q. Yes, now, that is for 1931. You will see the account at the bottom of the page. Have you the general account for 1932, I thought it was somewhere in this memorandum?—A. Well, I have a tentative one, I have the one for 1931 right here; the 1931 statement is at page 348, sir.

Q. What was the goodwill carried forward—have you got it for the 1930 statement or the 1932?—A. The 1931.

Q. Have you 1930 or 1932?—A. 1930.

Q. And 1932?—A. Yes, I can give that.

Q. What is the goodwill figure in 1930?—A. $87,549.44.

Q. And that is the constant amount which has been carried forward each year since 1928?—A. No, sir, I think it was changed reducing the figure to $85,830.44. This figure on this statement here at the end of 1930 is $87,507.44. It is the same at the end of 1931. The difference there is about $1,700. The reason for the change—I can get those figures if you would like to have them—the company bought, I think in 1930, a couple of small milk routes from some other individuals, and the cost of these small routes was carried at that account. I have the figures and I can get them out for you.

Q. That doesn't matter, it is just a small amount?—A. It is just a small amount, that is the reason for the change.

Q. But, in any event there remains this fact, that approximately $87,000 is carried forward in the company's accounts?—A. Yes, sir.

Q. It is approximately the same amount for which Mr. Cousins received 10,000 shares of no par value stock at the time of the new set-up in 1928?—A. Yes.

By the Chairman:

Q. Let us understand that, Mr. Marrotte. Is that just a book entry or has he received actual cash for it?—A. Actually, I would explain it this way, the company got from the old company $39,000 worth of assets plus cash of $77,000, that was about $116,000. Now, the company gave for that $203,000, that was the common and preferred stock at a par value of $5—and the difference between what they got and what they paid was goodwill.

Q. Yes, but is this represented by cash in the bank, or is it a mere book entry?—A. It is merely a book entry.

By Mr. Bowman:

Q. It is more than a book entry, Mr. Marrotte?—A. Well, there is an equity there I suppose to a certain amount. I say that the goodwill is simply the difference between the consideration that was paid and what he got. That is, what they paid for the value of the business over and above the value of the assets which they got must have been goodwill.

Q. Yes, but suppose we take a hypothetical case. Mr. Cousins stated a week or ten days ago that this company was worth half a million dollars. If this is true, and we have no reason to doubt it—as a matter of fact Mr. Cousins

was pretty emphatic on the point—if it is worth more than half a million, that 10,000 shares of no par value stock would be worth a lot of money?—A. If you could get half a million dollars for it, it would be worth a lot of money.

Q. As a matter of fact Mr. Cousins himself gave a very rough estimate of the value of the no par value stock which he said was worth $20 a share; so that the goodwill of this company is, or has been, an extremely valuable thing to Mr. Cousins, providing the company is worth anything like what he thinks it is?—A. Surely.

Q. Yes.

The CHAIRMAN: Are there any other questions?

By Mr. Pickel:

Q. Mr. Marrotte, with the permission of the chairman, I would like to go into this matter of depreciation a little more fully?—A. Yes, sir.

Q. What is the total amount you put down for depreciation?—A. Would you just mind waiting a moment until I get the sheet, Mr. Pickel. You want the total amount put down for depreciation?

Q. Yes?—A. You mean what I had written off each year, or the totals of what is written off each year.

Q. I want the depreciation allowed on machinery, delivery equipment, buildings, etc.?—A. The total reserve for depreciation at the end of 1932 was: buildings $12,871.79—I think I gave these figures before—machinery and equipment $45,907.47; delivery equipment $34,021.29; and office furniture and fixtures $3,009.99; a total of $95,810.54.

Q. How much?—A. $95,810.54.

Q. That is depreciation?—A. That is depreciation reserve, that is not what we write off, that is what we have written off over a series of years, not in one year.

Q. Page 348 of your balance sheet at December 31, 1931, machinery and equipment?—A. Yes.

Q. $93,000, less depreciation $30,000?—A. Yes.

Q. Why is there such a large amount for depreciation?—A. Why is there such a large amount?

Q. Yes.—A. The amount we have written off.

Q. That is a third of the value of the machinery.—A. Yes. Well—

By the Chairman:

Q. Over how many years does that extend? That is what Dr. Pickel wants to know.—A. That is made up, as far as depreciation of machinery and equipment is concerned, there was $6,314.15 at the end of December, 1928. That got there by an appraisal; that was not charged up to profit and loss account. During 1929 we charged $7,374.96 to profit and loss for depreciation on machinery and equipment; and in 1930, $13,182.68; in 1931, $13,990.94; and in 1932, $13,494.66.

By Mr. Pickel:

Q. Mr. Marrotte, those figures you have just given me, $15,000, $13,000 and so forth for depreciation, is that the actual expenditure for repairs?—A. No.

Q. That is just the amount——A. That is additional, not repairs. Those rates, I believe, were rated up at the rate of 10 per cent on the machinery and equipment in 1929, 15 per cent in 1930, 15 per cent in 1931 and 15 per cent in 1932.

Q. Just below that, delivery equipment?—A. Yes.

Q. $49,853.25, less depreciation of $26,723.68. That is more than half of the value of the equipment. The next item, office furniture and fixtures, $4,660 less depreciation, $2,541?—A. Yes.

Q. That is over 50 per cent; what kind of office do they keep there?—A. You see, we write off for the office furniture account against profits, $485.86 each

year, and of that amount there, $2,541, there was $1,383 that was set up in a depreciation account when the company had its property appraised. The appraisal company valued the property, reduced the valuation, and says it has depreciated to such and such an extent. Therefore of that amount there is $1,383 that was a book entry, which we could have just as well shown putting in no figures; we would not have had that figure there at all. The depreciation rates—I would like to say, to the best of my knowledge and belief, that those rates are the rates that are allowed by the department of taxation. I tried to get that right.

Q. That is for income purposes?—A. Yes.

By Mr. Bowman:

Q. Might I ask Mr. Cousins if he will kindly refer to the list of shareholders which he has before him?

Mr. Cousins: Yes.

Mr. Bowman: Would you mind telling me, Mr. Cousins, how many preferred shares you have? They are set out in the list.

Mr. Cousins: 1,709 preferred shares.

Mr. Bowman: And the total preference shares outstanding are 6,124; that is correct, is it not?

Mr. Cousins: 6,124, yes.

Mr. Bowman: That would be about a little more than a quarter of the preferred shares owned by yourself; a quarter would be 1,500 and something.

Mr. Cousins: Yes.

Mr. Bowman: And of the common stock, you hold how many shares?

Mr. Cousins: 6,992.

Mr. Bowman: Out of 10,000?

Mr. Cousins: Out of 10,000.

Mr. Bowman: So that of the common stock, so-called no par value stock, you hold about seven-tenths?

Mr. Cousins: A little better than half of it.

Mr. Bowman: Well, almost three-quarters. Now, there are quite a number of farmers and milk dealers, milk producers, who hold shares in your company?

Mr. Cousins: Exactly.

Mr. Bowman: And they have only been paid in cash the dividends which are set out at page 142 of the report of the committee; is that correct?

Mr. Cousins: Yes, sir, that is correct.

Mr. Bowman: The total, in so far as cash is concerned, is—

Mr. Cousins: $13,394.45.

Mr. Bowman: That is the total dividend paid to the preference shareholders in cash since the year 1921.

Mr. Cousins: Since the year 1925.

Mr. Bowman: Then it is a misprint in the report, I presume?

Mr. Cousins: It is not my fault.

Mr. Bowman: Well, I am asking you the question, Mr. Cousins; 1921 should be 1925. I want to be fair.

Mr. Cousins: It has been explained to you that this business started in 1925. If they make a misprint on there, you can't blame us, can you?

Mr. Bowman: No. I say, is that a misprint, that 1921?

Mr. Cousins: It is a misprint. It should be 1925.

Mr. Bowman: All right. For the years 1925 down to the end of 1932, your company has paid out only in cash—

Mr. COUSINS: $13,394.45.

Mr. BOWMAN: Or five quarterly dividends of seven per cent?

Mr. COUSINS: Without the stock dividends.

Mr. BOWMAN: Outside of the stock dividends?

Mr. COUSINS: Exactly.

Mr. BOWMAN: Which, I understand from the accountant, you voluntarily paid yourself.

Mr. COUSINS: Yes.

Mr. BOWMAN: You mentioned the other day that you were yourself personally gradually picking up shares of the company?

Mr. COUSINS: It so happens sometimes, when there are shares on the market, I buy in; that is, provided I want them.

Mr. BOWMAN: Provided you want them; and I suppose provided that you get a bargain?

Mr. COUSINS: Well, I am like the rest of the world; if I am offered a bargain, I take it.

Mr. BOWMAN: Quite so; and you are more likely to be offered a bargain the less cash the shareholder gets?

Mr. COUSINS: Well, that is one way of looking at it, I suppose.

Mr. BOWMAN: Well, is it or is it not a fact?

Mr. COUSINS: I presume it would be, yes.

Mr. BOWMAN: Yes; so that to you or anybody else wishing to pick up these preference shares, it would naturally be to any purchaser's advantage that there be no cash dividends paid. You agree with that?

Mr. COUSINS: Well, you look at it in that light.

Mr. BOWMAN: I am asking whether that is so or not.

By Mr. Bowman:

Q. Now, in that list you have, Mr. Marrotte, what was the amount of the net profit in the year 1930, according to the books of the company?—A. 1930?

Q. Yes?—A. I will give it to you, Mr. Bowman. The net profits for the year 1930 were $20,318.62 less $2,272.25 income tax.

Q. Approximately $18,000?—A. Yes.

Q. Net, after paying income tax?—A. Yes.

Q. What for 1929?—A. 1929?

Q. Yes.—A. $14,974.89.

Q. $14,000 odd in 1929; $18,000 odd in 1930?—A. Yes.

Q. And in 1931, what?—A. There was $18,825.30, less $2,309.53 income tax.

Q. Yes?—A. That is, $16,000.

Q. Net of what?—A. $16,500 roughly.

Q. Taking the fact that in 1930 the net income of the company was greater than it was in 1931, how do you account for dividends being paid in 1931 and none in 1930?—A. Well, I can tell you—I think I can tell you what the reason is. My understanding of it is—whether the directors will agree with me I cannot say—but at the end of this year we still make some more money, but unfortunately there is no cash. We have a bank overdraft I think at the end of 1932 of approximately how much—we have an overdraft of approximately $5,000 at the end of 1932; so there is really no cash available to pay dividends with. As I explained a few moments ago, we had certain accounts, large accounts, that had to be given extra credit. The company didn't want to do that. My own personal opinion is that is the real reason why dividends were stopped in the first place. We were not able to get money, money that we had set up in the reserve. The company was not in a position to pay dividends. It

is very difficult to get money from the bank, when you have an overdraft, to pay dividends. They don't like that policy.

Q. A company that shows that amount of depreciation written off and bad debts and everything, which I think you will admit are on the safe side at least, don't you think if they were able to pay these dividends in 1931, they could have done so in 1930; they had a greater profit in 1930.—A. Well, in 1930, of course—

Q. They had \$18,000 in profits.—A. Well, I would have to look into that. Just a minute, what is your question again? Why didn't they pay a dividend in 1930?

Q. Yes; the point I am trying to get at is this, that apparently your net profit does not seem to make any difference as to whether you pay or do not pay a dividend?—A. Well, it does, Mr. Bowman. That is hardly right. But there are two things that you must take into consideration before you can decide whether or not a company can pay dividends. One is they must make a profit, first, and then they must have the money. Now, they have used not only the profit money but they have used money that was set acide for depreciation to extend their factory or to extend their accounts. In any case, they have not got the money in the bank to-day. If they had an overdraft in the bank at the end of December, to me that is a fair reason why they could not pay dividends.

Q. Do you know whether or not that is the case in 1930?—A. That they had an overdraft?

Q. Yes?—A. As I say, I don't know why they didn't pay one in 1930, at the minute.

Q. The reason I am asking these questions—A. Sure, I can understand.

Q. There is a further question, because when Mr. Cousins was giving evidence the other day, he told us they had about \$50,000 in the bank.

Mr. Cousins: I told you that, it is true; but I also added this, that we pay the farmers twice per month, and we sometimes do not get paid only once in three months, and therefore you have to keep that amount of money ahead of you to meet accounts due the farmers, which might run into \$100,000 or \$120,000 a month.

Mr. Bowman: That hardly jibes with the statement of Mr. Marrotte that you have an overdraft of \$5,000. An overdraft of \$5,000 and cash in the bank of \$50,000 hardly agree.

Mr. Cousins: I will explain that to you.

Mr. Bowman: All right.

Mr. Cousins: When all these cheques come back from the farmers, at the moment there might not have been quite sufficient money to cover those cheques, and therefore there is an overdraft, and that overdraft remains until we overtake it. If I send out \$50,000 of cheques, and there may be only \$40,000 in the bank, there is \$10,000 of overdraft, and we have to overtake that overdraft.

Mr. Bowman: All right, Mr. Cousins. I asked this question because different members of the committee have been getting letters from shareholders of the company, purchasers, who were induced to purchase stock in the company upon the representation that they would get the seven per cent dividend on the money, and that the company would take their milk. They would have a guaranteed market for their milk.

Mr. Cousins: Which they did.

Mr. Bowman: No. Now, some of these people, in order to get a guaranteed market for their milk, borrowed money to very substantial amounts. I have in my hand a letter from one person who says that he borrowed money to the extent of something over \$1,000 for the purpose of purchasing these shares in

this company. The shares were purchased some years ago. He has been paying interest on the amount that he borrowed from the bank, and he has not been getting anything in the way of interest in returns from the company. Consequently that is the reason I am asking these questions; when you show a substantial profit of $18,000 or $20,000 a year and you do not pay any dividend, then it is only natural that the shareholders should wonder why.

The WITNESS: I am glad to, Mr. Bowman; I am trying to help in every possible way I can, to give you all the information.

Mr. BOWMAN: Quite true.

The WITNESS: It is a little difficult for me when you ask me to say what it was in 1930. I only spend part of my time at the business, and I am not so familiar with it; when you ask me, "Why didn't you do such and such a thing," I can't answer that. But I looked at the figures here now, and I find that while they give a $20,000 profit in 1930, we had a deficit at the beginning of the year of $12,457.89, which had to be made up before the company could pay a dividend.

By Mr. Bowman:

Q. What do you mean by a deficit?—A. Well, it lost money.

Q. No, no; you gave me the figures just a minute ago that in 1929 you made a profit of $14,000 odd.—A. Just a minute, now—

Q. You gave the figures.—A. I will get that for you. I should have said in 1929 we made $14,964.29.

Q. That is my recollection. That is the figure I just gave.—A. That is right. At that time we had a deficit of $27,000; the $14,000 reduced it to twelve, which carried forward into 1930. That is the figure I was just trying to check up. Unfortunately when the company started they were not able to sell part of the shares, so that they really were not able to get the whole $240,000 that they had planned to sell. In the first place, they needed that money to extend their business; they were not able to sell all their shares, so they were as a result handicapped, and they lost money. They were not able, and they lost money; and in 1930 we still had a deficit of $12,457.89 to make up. That is, I would say a reason why they did not pay a dividend.

Q. All right. Have you the figures for 1928?—A. 1928?

Q. Yes.—A. Yes.

Q. What does that show?—A. In 1928, in that year we made a profit on the operating of the business of $10,312.44; our surplus account,—that was credited to surplus, to which was added $13,808.27 that was the sale of property they had on Aqueduct street. Against that we had a deficit at the beginning of the year of $14,673, and we had to adjust our capital assets on account of moving and change of property, to the extent of $32,488.06, which brought forward our deficit at the end of the year to $27,432.78; and at that time we were not writing off any depreciation at all. Of course, depreciation that was not written off, was partially disposed of in that figure of $32,000 that the appraiser gave.

Q. All right. If at the end of 1928 you have a deficit to which you referred, why was this non par value stock issued to the seven per cent holders of preferred stock, if you had deficits?—A. Well, that was—those shares were issued originally in 1925.

Q. Adjustment was not made until 1928.—A. No, but the company was not in good shape at that time, and they felt they would be able to make the shares worth something some time; and to help out, Mr. Cousins gave this up out of his own personal holdings; and the shareholders perhaps helped out by taking them instead of dividends, instead of putting that additional loan on the company.

Q. In other words, do I understand you to say this in effect, that in 1928 although there were no dividends, moneys to meet dividends, nevertheless Mr. Cousins, shall we say out of the goodness of his heart, gave to the shareholders 2,450 shares of non par value stock?—A. Yes, he gave it to the company. The company could not give it, because it could not pay dividends while they had a deficit, but he could give it.

Q. Was a new set of books set up in 1928?—A. No.

Q. Did the company show losses every year?—A. Well, what do you mean?

Q. We have not got a loss yet. From 1928 down to the present time they have all been profits, have they not?—A. Well, yes; there was an operating profit, if you like.

Q. Well— A. We still have. We have an operating profit of $10,000. We have to take that $32,000. Do you see what I mean? That is loss. That is got out of surplus.

Q. Get back to some year and show me where you have loss. We have had all profits yet, in every instance.—A. I will tell you what, take this 1930 statement where we started; up to that time we had a loss of $12,457.89, without going back any farther.

Q. What about 1927?—A. Take the year 1927.

By the Chairman:

Q. These losses were not in operating?—A. The loss on the property, for instance, in the north end of the city. They moved their premises and they had to move their equipment; they bought a new building; when all these changes were made we had an appraisal.

Q. Buying of the building would be a capital investment?—A. I know; it is loss just the same.

By Mr. Bowman:

Q. Don't forget that you set up a very handsome amount or reserve for depreciation.—A. We were not at that time; we were not writing off anything.

Q. You have done pretty well since, though; $80,000 odd. Will you kindly go back and look at 1925 and 1926, and tell me what you lost in operating?—A. In 1925, Mr. Bowman, we lost $27,151.22.

Q. Are you talking now about your profit and loss account?—A. Yes.

Q. Does that show the net loss after your taxes are deducted for that year?—A. Well, we didn't have any taxes that year, because we didn't make any money. We lost $27,151.22 in 1925, up to the 31st of December.

Q. Is that the profit and loss account that you have there?—A. No, that is a statement I made up for myself; but I will get the profit and loss. It is in one of these grips here, if you will just wait a minute.

Q. Well, get it.—A. $27,151,22; that is the first year.

Q. That is loss?—A. Yes; that was before depreciation.

Q. Might I have a look at that?—A. Yes.

Q. $48,000 wages; that seems to be a big item? What is that?—A. That is for drivers and dairy help and all that.

Q. Give me the wages of the executives for that year?—A. The wages of the executives?

Q. Well, I see, $9,400 and something; that is all right.—A. Do you want more details? That includes office.

Q. What have you got for 1926?—A. 1926?

Q. Yes. I will have a look at this while you are looking that up. Surely there is some mistake about this, or there is some explanation of it. This company did not lose $27,000 from April to December, is that right? There must be something taken into consideration in that item.—A. Well, I think so, sir.

By the Chairman:

Q. Did they change their premises at that time?—A. I just don't remember what date they did change them. They did move, but I am not just sure of the year. I could find that out.

By Mr. Bowman:

Q. Well Mr. Marrotte, that is the year of the new company.—A. In 1925, that was the year of the new company; that was because they didn't get the money that they figured they were going to get, and they were not able to carry it out.

Q. What was their operating loss or profit for that year, not taking into consideration what cash they didn't get or they didn't write off anything?—A. I didn't have any cash. That is only operating. I say the business might have been affected to some extent by not being able to do the business they expected they were going to be able to do; but it is really what they did.

Q. Am I to understand this: in the year 1925, when the old company sold to the new company they valued their goodwill at $85,000 and that the loss was $27,000 the first eight or nine months of that period?—A. Yes.

Q. What about 1926?—A. In 1926 they lost $409.96.

Q. In 1927?—A. That was before depreciation. In 1927 we made a profit of $13,487.25, before writing off depreciation.

Q. Then?—A. We did not write off depreciation.

Q. I think, Mr. Marrotte, there must be some explanation for the loss in 1925.—A. Well, that is the figure we had prepared at that time.

Q. I know. Take the item in the profit and loss account which you told us a moment ago——A. But there is nothing there, Mr. Bowman. You can see the statement, there is nothing there except wages and you said yourself that wages was a big item.

Q. It seemed to be very big, $48,000.—A. Yes.

Q. The point I am trying to make is that actually, in 1926 this business was to have been sold for $240,000.—A. Yes.

Q. And was to be capitalized at that amount, and arrangements were made with the trust company to underwrite stock to that amount?—A. Was to be sold for $240,000. The $240,000 was to be paid to this company out of the proceeds of the stock.

Q. And——A. And they would have had $240,000 in the business.

Q. Immediately they go into the business, they lose $27,000 from April to December?—A. Yes, they lost that

The CHAIRMAN: I think Mr. Cousins made a statement that the underwriting company got away with some of the funds?

Mr. COUSINS: They did.

By the Chairman:

Q. Was that included in the amount?—A. No, that did not come in until rearrangement in 19—that did not get in here at all.

Q. That is not included in the statement?—A. That is in the goodwill. That does not come in. It did not get in in 1925—selling the stock by that company did not get into those books until we made rearrangement of the capital in 1928.

Q. Mr. Cousins made a statement the other day that the company was worth at least half a million dollars. Would you care to hazard an opinion, Mr. Marrotte, as to what the company is worth?—A. I would say—the book value of the common shares at the end of 1931, or the end of 1930—I will go back to 1929. The book value of the common shares, presuming that the preferred share value remains stationary, was $3.75 in 1929; in 1930 it was $5.56; in 1931 $6.22; and in 1932 it was $7.22, approximately.

Q. How is that book value arrived at?—A. Value of the company's stock, plus surplus, offset against that we have $85,000 in goodwill. If we had to split that in 50,000 shares, 10,000 that we have set out were $50,000 of common shares—if we had to list this at a value of $4, instead of $5, the goodwill account would be $10,000 less.

Q. I understood you to say a while ago that you set that goodwill in the account there only as a book entry; now you state that it is a cash account.—A. No, I did not say that. I think I did say it was a book entry; I think it is the difference between the value that the company got, the value the company gave, and the assets that they got.

Q. It is really only a paper value?—A. That is all—well, I would not say that exactly because the company may have given—supposing they gave $5,000 worth of stock for $400,000 of value of assets. Well, all they got is the $400,000; so the balance, presumably, is goodwill, because they are willing to give $500,000 for it.

By Mr. Bowman:

Q. In answer to the Chairman you stated that the paper value of those non par shares was what?—A. In 1931? How is it arrived at?

Q. No.—A. $6.22.

Q. $6.22?—A. In 1930, at the end of 1930—

Q. Taking off depreciation, $87,000?—A. Yes.

Q. Mr. Cousins told us the other day, and I presume it is true, in fact I have no reason to doubt his statement, that he has a real up-to-date plant, a 100 per cent plant in good running shape at the present time, one of the best in Montreal. —A. Yes, sir.

Q. And he keeps it up-to-date, so that consequently that $85,000 or $87,000 is a reserve?—A. You mean the goodwill?

Q. No, I am not talking about that, I am talking about—A. Machinery?

Q. Depreciation.—A. Well, we have not—there have been times when we have had to scrap some machinery or make some adjustment. We have even had a reserve—we have even had to write off additional amounts much larger, because we found the amount of depreciation which we have set up is not sufficient to take care of the different losses on the machinery.

Q. Your depreciation is there now at $87,000?—A. Yes, surely, but the machinery is also depreciationg.

Q. But he is supposed to keep his machinery at 100 per cent, in good shape? —A. I do not think any machinery is 100 per cent in good shape.

Q. I am just taking Mr. Cousins' statement; he says he keeps his plant up-to-date, machines running in good order, and is not that as good as one that is new? —A. Yes.

Mr. Cousins: Might I explain to you, Mr. Bowman, as I explained before, the action of milk on milk machinery. The action of milk is very detrimental to it, and in a very short space of time, all the machinery becomes obsolete.

By Mr. Spotton:

Q. I should like to ask a question, Mr. Marrotte, as to when you were called in to this company?—A. When I started working?

Q. Yes.—A. About 1925.

Q. About 1925?—A. Around there, just about that time.

Q. When you were called in in 1925, was this company solvent?—A. How do you mean?

Q. In 1925 you stated the liabilities were $70,000 and some odd. Was this company solvent?—A. Just a moment, now.

By the Chairman:

Q. It is found on page 431 of the Evidence, about the middle of the page.—A. 431?

Q. Net assets $39,758.25.—A. Yes.

By Mr. Spotton:

Q. What were the liabilities?—A. The net assets were $115,789.98, less liabilities of $76,931.73. They are right on that page, sir.

Q. $113,000?—A. $115,789.98 less liabilities.

Q. $115,000 of assets and $70,000 liabilities?—A. $76,931.73.

Q. Liabilities?—A. Yes.

Q. Now, Mr. Marrotte, you are an accountant, or an auditor. Did you ever notice firms going into bankruptcy during the present time with similar assets and similar liabilities?—A. Well, I do not know that you could say—

Q. That is a large liability is it not?—A. A large liability, yes. The concern has a net value of its assets—

Q. Who was the valuator at that time?—A. Who valuated them?

Q. Yes.—A. I do not remember that now.

Q. Was that Mr. Cousins' valuation, or an expert valuator?—A. I would have to look that up: I am inclined to think he had them valuated.

Q. When you were called in, was this company financially embarrassed? Were they finding it financially hard to carry on?—A. In 1925?

Q. Yes.—A. Well, they probably were, I guess that is the reason. I know offhand they wanted to expand.

Q. Now Mr. Marrotte, just let us get this. Mr. Cousins will likely keep on retaining you. Was this company not financially embarrassed in 1925. Did they not find it hard to carry on?—A. After this company was formed?

Q. No, when it was formed, just prior to it being formed.—A. Just prior to it being formed? Well, I do not know that.

Q. I beg your pardon?—A. I cannot say that.

Mr. Cousins: May I answer that question?

Mr. Spotton: No; I am not asking you this question, I will ask you some later on.

By Mr. Spotton:

Q. You admitted a moment ago that they had a hard time?—A. I said they wanted to do some refinancing, so I presume the financial arrangements were not good.

Q. You presumed that owing to this refinancing they found the struggle quite hard. They had a matter of $70,000 worth of liabilities and possible assets, possibly valued by Mr. Cousins himself, of $113,000. I just wanted to make that clear. Perhaps the net assets were only $10,000, if there had been a real valuator put on the job. Now, I am told that the Cousins Company was financially embarrassed at that time, and that is the reason why it was refinanced. I have a letter in my hand stating who the doctor was who was called in, the financial doctor or the spiritual advisor, and I think it is not unkind to say that there was a financial struggle in 1925, because those liabilities are higher than the amount that anybody would valuate the plant for at that time. And to-day Mr. Cousins says it is worth half a million dollars. I think that we should bring it to the attenion of our chief, so that he could engage Mr. Cousins as the Finance minister right away. I think Mr. Cousins' salary is $10,000.

Mr. Cousins: No, it was.

The Witness: At the present time?

By Mr. Spotton:

Q. No, up to the first of the year.—A. Up to the first of the year.

Mr. Cousins: It was $10,000.

By Mr. Spotton:

Q. His son Cecil gets $5,000?

The Chairman: Frank.

Mr. Spotton: In 1932.

Witness: In 1932?

Mr. Cousins: That was right, Mr. Spotton, it was Frank.

By Mr. Spotton:

Q. Frank. He loves both sons the same. It is $5,000 Mr. Marrotte.—A. Just a second, I am trying to find it here. I will have to look it up for you Mr. Spotton, because salaries have been—Frank has been charged into—has been split up, some has been charged—

Q. Mr. Cousins said one son was getting $5,000.—A. If Mr. Cousins knows, it is o.k.

Q. It would be reasonable to believe another son would be getting the same, which would be $20,000 to the Cousins family right away. In auditing the books, did you notice any other Cousins, any other member of the family drawing salaries? Is there not an amount given to the father or the sons for travelling expenses?—A. Is there any?

Q. I beg your pardon.—A. Is there any travelling expense?

Q. Yes.—A. Well, I would have to—

Q. Any additional amounts?—A. For travelling expenses?

Q. Well, travelling expenses.—A. I might—

Q. Upkeep of cars, their own motor cars. I understand they all drive Buick cars.—A. Yes, I think they do.

Q. Are those cars kept up by this plant? Are they repaired and furnished with gas and oil and everything, those Buick cars driven by those people?—A. I would have to look that up, Mr. Spotton.

Q. You have audited the books.—A. Yes.

Q. You have your deputy with you?—A. Yes. I cannot tell you just right away.

The Chairman: Perhaps your assistant can enlighten us.

By Mr. Spotton:

Q. My point is this: you know this is the old old scheme. It is nothing bright. It has not originated with Mr. Cousins. All joint stock companies are formed, and the family gets the controlling interest. The other poor devils put their money in it, and the family gets the controlling interest, and there are no dividends; it is all licked up in this way. That is what I am trying to get at, and what we propose to get.—A. Yes, sure.

Q. Can you tell me if Mr. Cousins, Senior, is a full-time employee of this company?—A. Well, I cannot tell that, because I am only there part time myself. So far as I know he is there every day.

Q. You cannot give us any information as to the upkeep of their motor cars? —A. Just a minute, I think so.

Q. I do not want to delay the committee, because I understand there is another witness. If you can give us that information, all right.—A. I would be very pleased to remit the information about cars.

Q. I think I shall ask Mr. Cousins a question. Mr. Cousins, do you give your full time to this $10,000 job? Do you give your full time to the Ernest Cousins' milk business?

Mr. Cousins: I do sir.

Q. I know it is not fair to ask you if you draw other salaries, but it is reported that you are president of—which may be correct, or may not, or may

be exaggerated—an amusement company, the United Amusement Corporation, with a capital of $5,000,000 and many theatres. As the president and general manager of that, of course, you are not giving your full time to the milk business. I think that is not a fair question. I am just merely mentioning that. There are no more super men, they have all passed by years ago.

The CHAIRMAN: Mr. Spotton, I would suggest, unless you intend to base a question on that statement, it is scarcely fair.

Mr. SPOTTON: No, I think I am beside the point there.

By Mr. Spotton:

Q. Do you give your full time to the milk business?

Mr. COUSINS: I do, Mr. Spotton.

Mr. BOWMAN: In all fairness, I think Mr. Cousins should be given the opportunity of making any explanation he has to make.

The CHAIRMAN: Yes, I think so, unless we delete it from the Minutes of Evidence entirely. Do you care to make any statement in answer to Mr. Spotton's suggestion, Mr. Cousins?

Mr. COUSINS: The only answer I can give to Mr. Spotton's suggestion is this, that I devote my full time to Ernest Cousins Limited, and its value is what Ernest Cousins himself makes it. If my brains are dormant, that business falls by the wayside. If perchance I can make that business of value, as I am doing—and to-day it is worth 100 cents on the dollar to everybody who has put a cent into it, and I cannot make it of value to myself unless I make it of value. If I drop dead to-morrow, that business practically may go to the ground. As long as I live I can make that business pay, make it pay handsomely.

The CHAIRMAN: You have not been paying many dividends?

Mr. COUSINS: I was going to explain that. What I was going to say was this: when we started this business in 1925 and expected to get the $250,000, we would have paid dividends right away, but lacking a certain amount of it, we continually paid capital charges out of profits.

The CHAIRMAN: Now, we are getting something that your friend, the auditor, absolutely denied a little while ago.

Mr. SPOTTON: Mr. Cousins is frank.

Mr. BOWMAN: That probably explains it.

The CHAIRMAN: That opens up the whole question again.

Mr. SPOTTON: I am sorry you stopped Mr. Cousins, as he had started to be frank.

Mr. COUSINS: Mr. Cousins is always honest in everything he says; sometimes he makes mistakes.

The CHAIRMAN: Mr. Cousins, would you enlighten the committee. Mr. Spotton made the suggestion that you were drawing a further salary, or further indemnity from the company besides the $10,000 that has already been mentioned. Would you enlighten the company as to the total amount you do receive?

Mr. COUSINS: From Ernest Cousins, Limited?

The CHAIRMAN: Yes, from this milk company.

Mr. COUSINS: $10,000 a year up until I got this cut.

The CHAIRMAN: And that is all?

Mr. COUSINS: That is all. As a matter of fact, I am getting less than that at the present time.

The CHAIRMAN: Do you get anything as a commission on profits or anything of that nature?

Mr. COUSINS: No, I do not. I draw a flat salary, and I might say that when this depression started, our profits were cut down, as everybody else's in the business were cut down, and I voluntarily cut my own salary.

The CHAIRMAN: I should like to ask a question of the auditor, just to clear up an impression that seems to be in the minds of some of the committee.

By the Chairman:

Q. Turn to page 349, Mr. Marrotte, of the Evidence, and you will see that in drawing up the profit and loss account for the year 1931, at the beginning of that sheet, you show the total amount of milk purchased and the total amount of sales. There seems to be a suspicion in the minds of the committee that some of the profits are hidden in those expense accounts. Did you audit this statement personally, or through your firm?—A. Through my firm, yes.

Q. What do you say in regard to that item of wages, totals of the dairy expenses? Are there vouchers accompanying those accounts?—A. Yes. To the best of my knowledge and belief, there is nothing hidden at all in the statements.

Q. We want to know that.—A. That is what I am trying to give you.

Q. We want to try to get that. I think it is wise to clear that up in the minds of the committee.—A. Yes, that is what I am trying to tell you. Some of the amounts that those gentlemen asked do seem high. I would be glad to give explanation on the charges you find high. We would be glad to tell you; I do not think there is anything there. There is certainly no attempt to mislead anybody.

Q. No? As long as we know you are auditing those accounts and there are vouchers accompanying those accounts, all right. They are in perfectly good order, and are what they represent?—A. Yes, to the best of our ability.

By Mr. Bowman:

Q. Would you kindly refer to page 343 of the Evidence, Mr. Marrotte?—A. Yes.

Q. I notice there, referring to 1931, an item, "Loss on sale of equipment, machinery, $14,661.92"?—A. Yes.

Q. Have you any explanation for that item?—A. I can get you the figures. I know what it is, approximately. The company found it necessary at that time to scrap a lot of machinery. That is the difference of the machinery they had to scrap, the difference between the scrap values, scrap selling price and the value they had on their books. That is the difference between cost and the depreciation reserve that we had at that time.

Q. Would I be correct in saying that the $14,661.92 replaced the scrapped machinery by up-to-date equipment?

Mr. COUSINS: That is right.

Mr. BOWMAN: That is the cost. In other words, that explains the statement made a moment ago by Mr. Cousins, that repairs to this plant are paid out of capital, as in this case. That will be correct, will it not?

The WITNESS: Mr. Gauthier says that machinery originally stood on the books at about $22,000. We had reserve to bring that down to about the amount of $14,000 less what they got on that machinery that was taken out and sold for approximately $2,000.

By Mr. Bowman:

Q. So the $44,000 that was paid for new machinery was charged into the plant? The $14,661.92 which was charged up in profit and loss account at this time replaced that machinery with modern machinery?—A. Yes.

Q. How much more was required?—A. I would have to get that.

Q. How much more cash was expended to replace machinery that was discarded?

Mr. COUSINS: We possibly put in $50,000 worth of new machinery in that year, possibly not as much as that.

WITNESS: A good part of it.

The CHAIRMAN: Paid for out of profits, Mr. Cousins.

WITNESS: Not charged to profits, profit money may be used for that.

By Mr. Bowman:

Q. Probably that would account for not being able to pay any quarterly dividend, that you had to expend $50,000 for machinery.—A. Well, surely that is one of the reasons. We had to put in new machinery, to extend the plant, that is one of the reasons.

Q. Of course. I am only looking at it from what we see here. That hardly seems fair to me, that the ordinary farmer shareholder who puts in his money in the company and who expects a dividend on preferred stock, finds that the company takes $50,000 for new machinery.

Mr. COUSINS: What are we going to do, let our business die? You cannot keep business alive unless you have up-to-date machinery. I do not suppose any machinery in the world depreciates like dairy machinery. You have continually to replace it.

Mr. BOWMAN: If you have to replace it, Mr. Cousins, your auditor told us to-day you have a reserve account set up amounting to $87,000. If you put this $50,000 into your expenditure last year—

WITNESS: I think he said $87,000.

By Mr. Bowman:

Q. The reason I ask that question about the $14,661.92— A. In 1931 the reserve for machinery was $30,000—$87,000—

Q. Well, that is the total.—A. Yes, we take out only the machinery, that particular machinery against that particular amount, that we have scrapped, particularly. We did not take that out of the general reserve, so much for each machine.

Q. Your reserve at the end of 1931 was $30,000; is that correct?—A. $30,000.

Q. Machinery?—A. Yes.

Q. What was it at the end of 1930?—A. At the end of 1930 it was $26,000.

Q. At the end of 1930 it was $26,000?—A. Yes.

Q. At the end of 1931, after putting in $45,000 or $50,000 worth of machinery, it is $30,000?—A. Yes, because we had to take that amount of depreciation. We had no reserve there against that machinery we scrapped. We had to reduce the equipment account on the—

Q. In other words, as Mr. Cousins said a while ago, the expenses for renewing parts of discarded machinery was taken out of capital and taken out of reserve account, because the figures you just gave me proved that?—A. I say we took it out of reserve account, as much as was in it, and the balance we had to take out of our profits and loss account.

Q. Show me in your pofit and loss account where you have taken out $40,000 or $50,000 for machinery last year?—A. We did not write $40,000 or $50,000.

Q. Where is that? Mr. Cousins said a moment ago they spent $40,000 or $50,000 last year for new machinery. Show me in your accounts where it appears.—A. At the end of 1930. These are approximate figures; $87,000 our machinery account stood. We scrapped $22,000 of that and brought it down to $65,000.

Q. At the end of what?—A. At the end of 1930. The depreciation on machinery and equipment figure was $87,000. That is what it is $87,000, and we scrapped $22,000. That $14,000 is part of it. That was the cost—they

reduced their figure to $65,000 for machinery, and we bought $28,000 new stuff which brought it up to $92,000.

Q. At the end of what?—A. 1931, a year later.

Q. At the end of 1931?—A. Yes, sir—during that year.

Q. Yes, but I cannot see yet. Your reserves still continued to climb year after year?—A. They did not climb very much about that time. I can get out a schedule for you. I will have to dig that all out for you. I can get out the figures for you showing what our transfer of our capital asset—what we took out and our additions, if you like.

Mr. BOWMAN: Let me ask Mr. Cousins a question. Mr. Cousins, you referred a moment ago to $50,000 new machinery. When?

Mr. COUSINS: During the last year. Possibly during the last eighteen months. I could not tell you exactly from my own memory. On one floor alone we put in $30,000 worth of new machinery.

Mr. BOWMAN: In one room?

Mr. COUSINS: In one room, yes.

Mr. BOWMAN: What year was that?

Mr. COUSINS: That was during the last eighteen months.

Mr. BOWMAN: Was it 1931 or 1932?

Mr. COUSINS: Some of it may have come in in the end of 1931 and some in 1932.

Mr. BOWMAN: That is $30,000. What was the other $20,000 for?

Mr. COUSINS: For other new machinery. We are constantly putting in new machinery. I am putting in some more to-day. I am putting in a new can washer that is costing $5,000.

By Mr. Bowman:

Q. Bearing that in mind, Mr. Marrotte—the statement just made by Mr. Cousins—can you tell us how this reserve account still keeps climbing up and at the same time you are adding to your plant and keeping it up to 100 per cent?—A. I cannot understand what you mean. Our reserve keeps climbing up? Depreciation?

Q. Depreciation of reserve. At the end of 1932 your depreciation for reserves was $95,810.59. Did you not charge against that account any of this new machinery?—A. Our $95,000, as I explained a moment ago, is set up there for specific machinery. Each machine set up is included in this. Now, when we want to replace a machine—supposing the original cost was $10,000 and we have $5,000 set up against that in our reserve, we take out that particular machine at $10,000, original cost, and $5,000 out of the reserve account against that particular machine, and if there is any difference between the net value, the difference between the $10,000 and the $5,000—we realize when we sell it or scrap it or get rid of it—we have to charge that off—that is a loss on that particular machine.

Q. I follow that?—A. The new one is started all over again.

Q. The second item in this $95,000 is $45,000 for machinery?—A. Yes, sir.

Q. And after all these repairs that Mr. Cousins is talking about you still have—he says $50,000 even in the last eighteen months—you still have set-up for reserve $45,000?—A. I do not know that all that $50,000 is repairs; some of it is really additions, I think, not all repairs. We did not charge $50,000 to our profit and loss account. The only item we charged was $14,000, as charged to assets. It does not affect our expense.

Q. That is why I cannot understand your figures. You charge up $14,000, the amount to which I have referred $14,661.92. Mr. Cousins comes along and tells us that you spent $50,000.

The CHAIRMAN: And that that is paid out of profit.

Mr. BOWMAN: And that is paid out of the capital.

The CHAIRMAN: Out of the profits.

WITNESS: Not charged to our profits.

The CHAIRMAN: Mr. Cousins says it was paid out of your profits.

By Mr. Bowman:

Q. That is Mr. Cousins' statement; and we still find you have your reserve for depreciation not lessened at all, but actually increased?—A. It goes up every year; the more machinery you have the more depreciation you have.

Q. Quite true, and the more reserve you have got?—A. Yes.

Q. If that is so, then you are paying your machinery out of profits—your additions to your plant?—A. No. It is not so, Mr. Bowman. We are only paying out of our profits anything we charge to profit. If Mr. Cousins buys—say he buys $30,000 worth of new machinery to-day not to replace anything, we do not charge that to profit and loss again, we charge it directly to our asset account. The money is used up. The cash may have resulted from profit or it may have resulted from additional capital or bank loans or whatever it was, but the new machinery is not charged to profit and loss.

Q. What happens? What do you do with your depreciation account?—A. If we have more machinery—if we have $30,000 more machinery at the end of this year we have $30,000 more machinery to depreciate, for our depreciation account has increased.

Q. All right. Your depreciation account in 1931 for machinery was $30,000 odd, according to the figures you gave?—A. Yes.

Q. In 1932 it became $45,000?—A. Yes, sir.

Q. At the same time you added to the plant, as Mr. Cousins said, some $50,000 worth of machinery?—A. Yes, sir.

By Mr. Spotton:

Q. That $30,000 can only come from one place; you do not pick it up off the streets in Montreal; it can only come from selling new stock or out of the profits; can it come from anywhere else?—A. No. That is what I said.

Q. Have you been selling any new stock?—A. No.

Q. Then it must be out of profits?—A. The money must come out of the profits.

By Mr. Bowman:

Q. Now, in that same year——A. Please understand it is not a charge against the profits in the business.

By Mr. Spotton:

Q. There would be that much profits used up?—A. That much money in the business if they had not bought machinery to that extent.

By the Chairman:

Q. From the profit and loss account?—A. No. It does not affect the profit and loss account. There would be that much more money left in the business if we did not buy that machinery.

By Mr. Bowman:

Q. Further down, two or three items down on page 343, after charging up in your annual statement, may I point out this, Mr. Marrotte, that that is the profit and loss account?—A. Yes.

Q. You have charged for replacements in your profit and loss account then $14,661.92?—A. Right, sir.

Q. And below that you take out depreciation for machinery, $13,990.94?—A. Yes, sir.

Q. In other words, in that year, you have taken out and charged to profit and loss $28,600 odd?—A. Yes, sir.

Q. And will you now give me what your machinery is valued at in the year 1931?—A. The end of 1931?

Q. Yes.—A. The original cost of machinery was $93,000.

The CHAIRMAN: That is right.

WITNESS: $93,272.92.

By Mr. Bowman:

Q. Less depreciation?—A. Of $30,412.81.

Q. What is the balance?—A. The net balance is $62,860.11.

Q. All right, so that where you have on your books a book value of $62,000 for machinery in 1931 you wrote off some $28,000?—A. Yes, sir.

Q. In other words, about— —A. We wrote off only on the original cost statement, 15 per cent, which as I stated before is the rate allowed by the Department of Taxation.

Q. You wrote off somewhere between 40 and 50 per cent of the book value of the machines, and you charged it up to profit and loss, is that correct?—A. No, we wrote depreciation right off the original figure we set, we wrote 15 per cent, I think it was.

Q. I know, you wrote off 15 per cent of your figures, but on the nominal book value of machinery $62,000—you wrote off these two sums to profit and loss a total sum of $28,600?—A. We took it at a reduced figure and on a higher percentage.

Q. I know, but that is the fact which I am stating?—A. Yes.

By Mr. Pickel:

Q. Mr. Marrotte, on page 349.

The CHAIRMAN: Mr. Pickel, just a moment, we have another witness. Would the committee be willing to sit at a quarter after eight to hear this other witness. (Carried.)

By Mr. Pickel:

Q. At page 349 of the evidence I see a number of items such as advertising, salaries, taxes, insurance, stationery and supplies, various expenses, and I see also general expenses $15,021.87—what has that to do with it?—A. Where is this?

Q. That is near the bottom of the left hand side of the page.—A. I can't see in this light, really.

The CHAIRMAN: Are the lights all on?

WITNESS: Would you like to know the details of?

By Mr. Pickel:

Q. Not the details particularly, but what was it?—A. Well, there is—what does the amount refer to, Mr. Gauthier? I can't give you the detail here, but I will make a note of it, and have them get it for you.

The CHAIRMAN: Have the statement sent to the clerk.

WITNESS: Will somebody advise me of that, or will I make a note of it myself?

The CHAIRMAN: Just make a note of it, Mr. Marrotte, if you please.

By Mr. Pickel:

Q. Mr. Cousins, you have how many shareholders throughout the country?

Mr. COUSINS: Quite a number.

Mr. PICKEL: What do you value your stock at to-day?

Mr. COUSINS: Well, Dr. Pickel, that is rather a hard question to answer. I would not like to say, of course they have a market value, which is just what you can get for it in the open market, that is the real value of it.

Mr. PICKEL: What do you value the stock at?

Mr. COUSINS: I never attempted to value it myself.

Mr. PICKEL: You didn't?

Mr. COUSINS: No, I never attempted to.

Mr. PICKEL: What do you think it is worth, what would you pay for it?

Mr. COUSINS: Well, that would be a question which would remain between myself and the seller.

Mr. PICKEL: Well, there are a good many sellers, if you want to make money.

Mr. COUSINS: I haven't seen but very few of them yet.

Mr. PICKEL: Do you want to buy some?

Mr. COUSINS: Possibly, if some of it came my way.

Mr. PICKEL: Would you put any price on it?

Mr. COUSINS: No, sir.

Mr. PICKEL: I can give you a list of ten or twelve who are very anxious to sell.

By Mr. Hay:

Q. I would like to ask the witness what amount of actual cash the company has in the bank at the present time as a replacement fund on depreciation account.—A. For our replacement fund? We don't have any fund for that purpose, sir. The depreciation money, whatever amount of the profit is set aside for depreciation, that money is part of the money used to buy new machinery with—it is bought with that money, but it is not kept in bonds or in the bank. It is kept in the business as is usual and customary.

Q. Mr. Bowman made reference to some person who bought stock in your company under the promise that he would have a guaranteed market for his milk, is that man still selling or delivering milk to the company?

Mr. COUSINS: I presume he is, unless he stopped of his own account. All these men have the privilege of shipping all their milk to us.

Mr. HAY: It would be interesting to know whether he still holds that stock, or whether he has been frozen out.

Mr. COUSINS: How could he be frozen out?

Mr. HAY: Well, you buy stock, you look for a bargain. You were telling us a moment ago that you buy it up when it is on the market, and when you can buy at a bargain. It will be interesting to know if he is delivering milk, if he is still delivering milk to your company, and still has his stock.

Mr. COUSINS: He may.

Mr. HAY: Evidently he has not been receiving dividends on that stock since 1925.

Mr. COUSINS: Yes, he has.

Mr. BOWMAN: Except for the ones that you gave as quarterly payment.

Mr. COUSINS: And the stock dividends.

Mr. HAY: And that no par value stock.

Mr. COUSINS: Yes.

By Mr. Wilson:

Q. Mr. Marrotte, how much have you written off during the last five years on the original cost of machinery in this company, assuming the case of a

machine which cost $5,000, what is that written down to to-day?—A. We have written down in the last three years, I think—

Q. Let us say that the original machine cost $1,000, I don't care what you take, how much has been written off?—A. We have written off three years at 15 per cent, and one year at 10 per cent, that is 55 per cent.

The CHAIRMAN: That is on the original value.

The WITNESS: The original value, yes, sir.

By the Chairman:

Q. Let me see, that 10 per cent that was taken off this year, do you deduct that from the amount left from last year?—A. No, sir, we wrote 15 per cent off the original value, that is what we did.

By Mr. Wilson:

Q. How long would a machine of that kind last?—A. I could not tell you that.

Q. You have some idea?—A. I go by the rate the department charges. These are, as I said before I believe, the rates allowed by the Department of Taxation. We use the same rates so that we can keep our figures in line with theirs.

Q. After you have written it off do you try to pay profits on the original cost, or do you take the depreciation figure that you put on it?—A. Supposing the machine is totally written off, that we have written the whole 100 per cent off, and it would still be in use—suppose they could still use the machine—we would not be able to write off any more depreciation on it.

Q. From the information you have given it is very difficult to find what is written off.—A. I tell you we have written off 55 per cent.

Q. Can't you figure this for me, take the case of a machine that cost we will say, $1,000.—A. A machine that cost $1,000 four years ago, we have written off 55 per cent on that machine, it now stands on the books at $450.

Q. Some machines may be entirely written off.—A. We didn't write any of them off before that, that is all we have written off.

Q. When did you start to write off depreciation?—A. In 1929, that is the first year we started to write off, but before that there was a sum put in the reserve at the time the arrangement was made, but even at that I don't think there is any machine totally written off—there might be some delivery equipment totally written off.

The CHAIRMAN: Are there any other questions gentlemen?

By Mr. Taylor:

Q. I just want to refer to the reference that was made in the evidence that the business done by this company is about 88 per cent wholesale, is that right Mr. Cousins?

Mr. COUSINS: If the percentage is there, yes sir.

Mr. TAYLOR: It is shown as 88 per cent wholesale, and 12 per cent retail. What is the main item in your wholesale business, who are your important customers in the wholesale business?

Mr. COUSINS: I can't tell you that sir.

Mr. TAYLOR: I understand you have considerable trade with the shipping interests or navigation, have you?

Mr. COUSINS: Some, yes. That is part of every man's business.

Mr. TAYLOR: Certainly. I am not finding any fault.

Mr. COUSINS: It is perfectly all right.

Mr. TAYLOR: Does it compose a large percentage of it?

Mr. COUSINS: No. It is certain percentage, but not a large percentage.

Mr. TAYLOR: Not a large percentage?

Mr. COUSINS: No. As a matter of fact, it is a very small percentage.

Mr. TAYLOR: Very small?

Mr. COUSINS: Yes.

Mr. TAYLOR: I was taking your milk purchases say in 1932. I found that after the navigation season opens your surplus increases tremendously, almost equal to your association price, and I was wondering if you would explain if you had trade with the shipping interests.

Mr. COUSINS: No. It has nothing to do with it. You know, cows start to calve in springtime, and double up the milk supply.

Mr. TAYLOR: Now, you are getting away. For instance, in January, you purchased 1,400,000 pounds of milk, with 393,000 pounds of surplus; in February, you purchased 1,300,000 pounds or 1,400,000 pounds, with 384,000 pounds surplus; in March, you purchased 1,600,000 pounds, with 255,000 surplus. The navigation season would open then. You see next month, in April, you only purchased 1,400,000 pounds approximately, and you have 554,000 pounds of surplus. Then in May, you purchased 1,500,000 pounds approximately, and you had about 731,000 pounds surplus after navigation is open. I understood you had a large trade with the shipping interests.

Mr. COUSINS: I would have no power on the surplus.

Mr. TAYLOR: You would have a larger sale for your milk in the navigation season in the wholesale trade.

Mr. COUSINS: It might shrink somewhere else, sir.

The CHAIRMAN: Now, gentlemen, Mr. Marrotte informs me that he wants to catch the 6.15 train if possible. He has only about twenty minutes to do it. Unless you have something very important, I would suggest that he be allowed to go, unless you want to hold him over. Is the committee satisfied to release Mr. Marrotte?

(Carried).

Witness retired.

The CHAIRMAN: Gentlemen, you are satisfied to let Mr. Cousins retire as well?

Mr. PICKEL: Temporarily.

The CHAIRMAN: Then we will adjourn until 8.15 p.m.

The committee adjourned at 5.55 p.m. until 8.15 p.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 11, 1933

No. 14

Reference,—Milk and Milk Products

WITNESS:

Joseph L. Roberge, Montreal.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, April 11, 1933.

The meeting came to order at 8.15 p.m., Mr. Senn presiding.

Members present: Messrs. Bertrand, Bowman, Bowen, Butcher, Gobeil, Hay, Jones, McGillis, Moore, Mullins, Pickel, Senn, Shaver, Simpson, Spotton, Stirling, Thompson, Tummon, Weese, Weir (Melfort), Wilson.

Joseph L. Roberge, storekeeper, of Montreal, was called, sworn and examined. Witness retired.

On motion of Mr. Simpson, the Clerk was instructed to summon officers of the Montreal Dairy, Montreal, to appear before the committee on Thursday next; Witness Roberge to reappear at the same date.

The meeting adjourned at 9.30 p.m. till Wednesday, April 12, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

EVENING SITTING

House of Commons,

April 11, 1933.

The Chairman: Call Mr. Roberge.

Joseph L. Roberge, called and sworn.

By the Chairman:

Q. Will you give your name and occupation to the committee?—A. Joseph L. Roberge.

Q. What is your occupation?—A. Storekeeper.

Q. And your address?—A. 6701 Delormier avenue, Montreal.

Q. I understand that Mr. Roberge has no statement to make, so we will ask Mr. Tummon to examine him.

By Mr. Tummon:

Q. Mr. Roberge, have you had any experience with a dairy or milk distributing company?—A. Yes, sir; twelve years experience.

Q. Twelve years?—A. Yes, sir.

Q. In the city of Montreal?—A. In the city of Montreal.

Q. You were an employee, were you?—A. Yes, sir.

Q. You are not now engaged?—A. No, sir.

Q. How long since you ceased to be with a dairy company?—A. Over one year now.

Q. And you say that you have been in the employ of a dairy company for twelve years?—A. Twelve years, yes, sir.

Q. With the one company?—A. Only one company, the same company.

Q. The same company. Now, will you tell the committee just in what capacity you were employed; that is, what position did you hold?—A. I used to make the purchases of milk and cream for the company and used to also make remittances to the farmers, and I attended to the production department also, and make all reports regarding production.

Q. There was, I presume, a superintendent or manager over you?—A. A superintendent and a general manager.

By the Chairman:

Q. Were they the same person?—A. Two different persons.

By Mr. Tummon:

Q. You took instructions, I presume, from the superintendent?—A. From the superintendent or general manager.

Q. Either one?—A. Either one.

Q. You say that you kept the records in regard to milk?—A. Yes, sir.

Q. In regard to milk that was purchased?—A. Was purchased, yes, sir.

Q. And you made up the accounts?—A. Yes, sir.

Q. The accounts to be paid monthly to the producers?—A. Yes, sir.

Q. Did you write out the cheques?—A. Yes, sir.

Q. Did you sign the cheques?—A. Yes, sir.

Q. Were there any other names that went on the cheques besides your own?—A. The superintendent or general manager, when one was missing.

Q. Now, in this company with which you were employed did they have a certain amount of surplus milk or what they called surplus milk?—A. Yes, sir; they had.

Q. Will you explain to the committee just what is meant by surplus milk, or what surplus milk was?—A. That is the milk they received in surplus over what they need for pasteurizing.

Q. And what was sold as fluid milk in bottles?—A. Yes, in bottles.

Q. That is, if they received 2,000 gallons of milk from the producer to-day and only required 1,900 to go out for sale in bottles, that day there would be 100 gallons of surplus?—A. Yes, sir, surplus.

Q. Now, then, I presume that at the end of each month, perhaps,—how did they pay, once a month?—A. Twice a month.

Q. Then, did you make out what the surplus percentage was twice a month?—A. Only once a month; only at the end of the month.

Q. Then at the end of each month the actual or real amount of surplus milk was known?—A. Yes, sir.

Q. And I suppose then that the real amount of surplus milk or actual surplus milk was divided pro rata among the producers?—A. Yes, among the producers.

Q. And the producers were paid for surplus milk according to the actual or real surplus, were they?—A. No, they were not; they charged more.

Q. Just a moment now. You say there was an actual surplus?—A. Yes.

Q. That was known at the end of each month?—A. Each month, yes.

Q. And when the producers were paid at the end of the month they were not paid for the actual surplus?—A. No.

Q. How were they paid?—A. They over-charged them. They over-charged the surplus.

The Chairman: Let us be specific. You say they over-charged them. Those pronouns are confusing.

By Mr. Tummon:

Q. If they did not pay them according to the actual or real surplus, what happened?—A. Well, they received less.

Q. The purchaser received less?—A. Yes.

Q. How did they receive less?—A. I have some figures.

Q. Now, let me ask another question. Did I understand you to say that the producers were paid at surplus prices for milk that was really not surplus?—A. Yes.

Q. You said you had some figures?—A. I have some figures. I will show you.

Q. Can you give the committee then an actual example?—A. I take, for instance, for nine months, 1931.

Q. What months were they?—A. Starting January to September, to the end of September; that is nine months.

A. Starting at January?—A. Until the end of September.

Q. Now, then, these figures you are going to give us—they are not imaginary figures are they?—A. No, they are real figures.

Q. Not given to illustrate what has happened. They are the actual figures upon which the producer sending milk to that company was paid during those nine months, were they?—A. Yes.

By the Chairman:

Q. Will you tell us where you got the figures?—A. When I was in the company.

Q. From the books of the company?—A. Of the company. I keep these records from the company.

By Mr. Tummon:

Q. Now, all right. Let us take that first nine months of the year 1931. Can you tell us what the amount of the actual surplus was for those nine months?—A. Yes, sir; it was 538,000 pounds surplus.

Q. 538,000?—A. And 89 pounds; surplus.

Q. 538,089 pounds?—A. 538,089 pounds.

Q. How much surplus milk was the producer charged with?—A. 1,140,343 pounds.

Q. That is 1,140,343 pounds?—A. Yes, sir.

Q. Then, the actual surplus for the nine months you say, was 538,089 pounds?—A. Yes.

Q. But the producers for those nine months were charged with 1,140,343 pounds?—A. Yes, sir.

Q. Now, do I understand you correctly that the producers were paid surplus prices for the actual surplus and in addition they only received surplus for the difference between 538,089 pounds and 1,140,343 pounds that was not surplus milk at all?—A. Yes, sir.

Q. Just let us take—you have the figures there for the month?—A. For the nine months.

Q. Can you start at January?—A. Yes, sir.

Q. Let us take January, 1931. How much was the actual surplus?—A. 35,520 pounds.

Q. How much did they charge to the producer?—A. 65,467.

Q. Can you tell us what the association price was for that month?—A. $2.40 per hundred pounds.

Q. That was the price that was agreed upon when they sat in together; that the distributors and producers agreed upon?—A. Yes.

Q. That was the association price agreed upon, $2.40?—A. Yes, sir.

Q. Now, then, what was the price paid, really paid for surplus milk? Did they pay $2.40?—A. No. They paid the skim price according to the butter market, $1.25 for 100 pounds.

Q. For surplus milk?—A. Yes, for that month.

By Mr. Bowman:

Q. $1.25?—A. $1.25.

Q. I do not want to interrupt Mr. Tummon, but would you repeat those figures for January?—A. Yes. Do you mean for the actual surplus? 35,520 pounds. That was the actual surplus.

Q. And the surplus settled for?—A. 65,467.

By Mr. Tummon:

Q. Now, then, Mr. Roberge, did this company that you were employed with —did they pay the association price for that milk that was not surplus milk— for the milk that was distributed as fluid milk; did they pay $2.40?—A. They did not.

Q. What did they pay?—A. Paid an average of $2.18.

Q. $2.18 per 100 pounds?—A. Yes, that is the average that the farmer received for January.

Q. Have you any figures to show what the farmer would have received if he had not been charged with the extra amount of surplus or that was not surplus?—A. He should have received $2.30 a 100 pounds.

Q. Instead of $2.18?—A. Instead of $2.18.

Q. The producer lost 12 cents a 100 pounds in the month of January, 1931? —A. Yes, sir.

Q. Because that company charged 100 per cent more for surplus than they really had. Now, what about February? How much actual surplus was there? —A. 12,550 pounds.

Q. And how much surplus?—A. 62,455.

Q. Now, then, was the association price the same in that month as in January?—A. Yes. It was the same, $2.40.

Q. What was the average price they paid?—A. They paid $2.17 to the farmer.

Q. What would he have got if he had not had that extra amount of surplus?—A. $2.36.

Q. Then there was difference——A. Nineteen cents.

Q. Nineteen cents a hundred pounds the farmer lost in that amount because they charged more surplus than they should have?—A. Yes, sir.

Q. How much was the actual surplus in March?—A. 20,572.

Q. And the surplus charged back to the producer was how much?—A. 86,817 pounds.

Q. What was the association price for milk at that time?—A. $2.03 per 100 pounds. It was reduced for March.

Q. How much did the company pay?—A. $1.84.

Q. What should they have paid if they had not charged the extra surplus?—A. Exactly $2.

Q. And the producer lost— A. Sixteen cents.

Q. Take the next month, April; how much was the actual surplus at that time?—A. 60,672.

Q. And the surplus charged to the producer?—A. 135,503 pounds.

Q. What was the association price?—A. The same price, $2.03 per 100 pounds.

Q. And they paid?—A. One dollar and eighty cents.

Q. And they would have paid?—A. One dollar and ninety-two cents.

Q. Had they not charged an extra amount back to the farmer?—A. A loss of 12 cents.

Q. Now, take May. What was the actual surplus?—A. 179,100 pounds.

Q. And they charged back to the producer?—A. 196,834 pounds.

Q. And the association price was?—A. Was the same, $2.03.

Q. What did they actually pay the producer?—A. One dollar and sixty-eight cents.

Q. And if there had not been the extra surplus paid back?—A. One dollar and seventy-one cents.

Q. A difference of— A. Three cents.

Q. Take June, what was the actual surplus?—A. 109,830 pounds.

Q. And the surplus charged to the producer was, how much?—A. 162,154 pounds.

Q. What was the association price?—A. It was reduced in June to $1.70.

Q. This company paid the producer?—A. $1.48.

Q. If it had not charged extra surplus back to them, what would it have been?—A. $1.55.

Q. The difference is seven cents?—A. The difference is seven cents.

Q. July, what was the actual surplus?—A. 39,105 pounds.

Q. How much surplus was charged back to the producer?—A. 156,827 pounds.

Q. What was the association price for that month?—A. $1.70.

Q. What did the company pay the producer?—A. $1.50.

Q. What would they have paid if they had not charged extra surplus?—A. $1.64.

Q. A difference of 14 cents?—A. Fourteen cents.

Q. Take August, what was the actual surplus?—A. 43,248 pounds.

Q. And the surplus charged back to the producer?—A. 147,661.

Q. And the association price?—A. $1.70.

Q. What did they pay?—A. $1.48.

Q. And if they had not charged extra surplus back how much?—A. $1.63.
Q. A difference of?—A. 15 cents.
Q. Now, September, what was the actual surplus?—A. 37,500 pounds.
Q. What was the amount charged as surplus?—A. 136,625 pounds.
Q. That was what was charged back to the farmer. What was the association price?—A. $1.70.
Q. They paid the producer?—A. $1.48.
Q. What would they have paid them if there had not been so much surplus?—A. $1.64.
Q. And that was a difference of?—A. Sixteen cents.
Q. Now, you say that what you have been telling us, these figures you have given us, are the actual record of this company for the period mentioned, while you were employed as a book-keeper there?—A. Yes, sir.
Q. Now, you are speaking only in regard to the one company?—A. Yes, sir.
Q. Have you any actual knowledge as to whether or not this method is carried out with regard to surplus milk, whether it is followed by any other company?—A. I think it is carried out, I think other companies do the same thing. I know there are many complaints from farmers who sold milk to the company I worked for. They would ask where they were to ship, and some of them were told to ship to such a company.

The CHAIRMAN: You cannot swear to hearsay evidence.

Mr. TUMMON: You have no actual knowledge?

WITNESS: I can only say what I know about it.

The CHAIRMAN: Don't repeat conversations you have heard. Just give us your actual knowledge.

By Mr. Bowman:

Q. Now, have you any objections to telling us what company you were employed with?—A. I would rather not tell. I don't like to have the committee—I can't tell the name.
Q. You have no objection to telling the Chairman privately?—A. No, not at all.
Q. You will do that?—A. I will do that.

Mr. BOWMAN: I might say that Mr. Roberge did not come of his own accord, he was summoned here by us to give evidence. So far as I am concerned in regard to that, I am quite satisfied.

The CHAIRMAN: I am not certain, Mr. Bowman, that is casting a reflection on almost any company in the city of Montreal. The evidence being given may cast a reflection on any of the companies that have been before us, or any other company, leaving a rather serious reflection on them; I do not like to see that.

Mr. PICKEL: Mr. Roberge, what was done with the actual surplus milk?

Mr. THOMPSON: I think we should settle this point before we go any further.

By Mr. Bowman:

Q. Might I follow up Mr. Tummon's questions by asking the witness a few, just to make clear the purport of his evidence? Do I understand, Mr. Roberge, from the information you have just given to Mr. Tummon and the committee, that in the month of January the two figures that you quoted there, 35,520 pounds and 65,467 pounds are separate?—A. No, the 35,000 was included in the 65,467 pounds.
Q. That it is included in the 65,467 pounds?—A. The difference is what he overcharged the farmer.
Q. I see, that is quite correct, so that according to the information which you gave to the committee, the producer actually lost that 12 cents a hundred.—A. On the difference.

Q. On the difference between 35,520 and 65,467. Now, just to make that clear; you have said to Mr. Tummon that the association price was $2.40 a hundred?—A. Yes, that was the association price.

Q. Well then, you quoted a figure of $2.30.—A. That is what they should have received if they charged only the actual surplus.

Q. If they had charged only the actual charge.—A. But they did charge certain surplus, they charged over, that is why this price is reduced to $2.18.

Q. Yes?—A. That means a loss of 12 cents.

Q. What is the actual loss there, figured out in dollars and cents, on that amount? Is that not a loss of 12 cents on the total of 65,467 pounds?—A. No, well you see I have not the total reception, I need the total reception for that, you see, I have only what has been charged in the surplus.

Q. Well, I will not question further, because Mr. Tummon is more familiar with that point than I am; but I would ask you to clear up for the sake of the committee, just what the actual loss would be for that month, then we will know what it is for the rest of the period.—A. Well, I can't tell you, I have not the total milk received for that month, I have only the surplus, you see.

Q. Well then, will you tell us just what is the significance of those figures you quoted—$2.40 is the agreed price between the association and the producer, then you say that he should have received $2.30?—A. Yes.

Q. As a matter of fact, he only received $2.18?—A. $2.18, yes.

Q. That was a loss of 12 cents per hundred?—A. Yes, sir, the loss on all what he shipped to the dairy.

Q. On the whole milk?—A. Yes.

Q. All of it?—A. No, on the surplus.

Q. Not only on the surplus?—A. That is on the shipment.

Q. But on top of that, the milk which was not part of the surplus at all? —A. Yes.

Q. I see. Now, Mr. Roberge, you haven't got the figures showing in addition to the surplus which you have already given to us—have you got the figures showing the amount of milk they were paid for at the whole milk price?—A. No, I haven't those figures, I have only for one month.

Q. Well, will you give us for that month, please?—A. That is September, 1931.

Q. Now, in the month of September, according to the figures you have already given, the milk surplus was 37,500 pounds?—A. Yes, sir.

Q. And the surplus which was charged to the producer was set at 136,625 pounds?—A. Yes, sir.

Q. Now, will you tell us what was sold to the company that month and actually accounted for, over and above the surplus?—A. The company in that month received 856,251 pounds.

Q. 856,251 pounds?—A. Yes.

Q. And they pasteurized?—A. They pasteurized 818,751 pounds.

Q. 817,751 pounds?—A. No. 818,751 pounds, and they skimmed 37,500 pounds—that is the figure I gave you, the actual surplus.

Q. Just wait till I see if that coincides—yes, that is O.K.—A. You see, that amount—if you take 136,625 pounds, if you figure out skim price 70 cents per hundred pounds.

Q. That is 70 cents, now that is surplus milk price?—A. That is skim price —surplus price, yes.

Q. Just a minute now, during that month you have shown that the difference in the price was $1.64 as compared with $1.48.—A. That is the average price they should have received.

Q. That is what they should have received, but they only did receive $1.48. —A. $1.48, I mean.

Q. The 16 cents per hundred was figured on the total of 856,251 pounds.—A. I think, yes,—that is the loss.

Q. Yes, and that gives us the picture.—A. Yes.

Q. The complete picture?—A. That is the only one I have on the reception, that is why.

Q. Well now, they want me to do a little figuring here.

The CHAIRMAN: In respect to this company, I certainly think—

Mr. BOWMAN: Mr. Chairman, if you would just let me have a moment we will clear up these details. That figures out—perhaps somebody will check me if I am wrong—that figures out in that one month that the producers lost $1,370 by the improper grading of the surplus. What would you say about the other months, would they be somewhat along the same line?

WITNESS: It is all the same according to the—

Mr. BOWMAN: Varying in accordance with the figures which you have already given us, but you have not got the figures showing the total production during each month.

The WITNESS: No, that is the only one I have.

The CHAIRMAN: I think I should make some kind of a statement about the witness' attitude in regard to giving the name of the company. As I said a moment ago, it seems to me that the evidence given before the Committee to-night without disclosing the name of the company, is rather casting aspersions on almost any company in the city of Montreal. I do not know whether any assurance was given to the witness that he would not be asked for the name, but I feel sure of this at least, that a great number of people in the city of Montreal will know with what firm Mr. Roberge was identified prior to or during this time, so that it will be an open secret to say the least. I can readily understand that you might not wish to have the name in the newspaper—the reporters are here—but I think that the name should be disclosed by the witness, unless some real assurance was given to the witness that he would not have to disclose the name.

By Mr. Tummon:

Q. Mr. Roberge, I think you know the feeling of the committee; they hesitate to put you in a box; they hesitate to make things unpleasant. I agree that it would be much better if you would name the company with whom you were employed.—A. If it is better for the investigation, I will tell. It is the Montreal Dairy.

By Mr. Pickel:

Q. Is the Montreal Dairy doing business now?—A. It is the same people, except they changed the name.

Q. What is done with this surplus milk?—A. The real surplus, you mean?

Q. The real surplus?—A. It is skimmed.

Q. What was done with it; was it distributed as cream?—A. As sweet cream or used sometimes for ice cream.

Q. Was much of it churned into butter?—A. No, they didn't.

Q. You were acting as what, secretary?—A. No, buyer for milk and cream.

Q. What was your official title; you were just a buyer?—A. Buyer. I used to remit to the farmers, used to make all the reports of production of the farmers.

Q. Who told you how much of surplus milk and how much of the fictitious milk, fictitious surplus? How was that come to?—A. That was from the manager.

Q. They told you how much to put down?—A. Yes, and the prices.

Q. You say by the month that the association price was so much.—A. So much.

Q. But they only paid so much?—A. Yes.

Q. Why was this discrepancy? Why didn't the producer get the whole price?—A. He got the whole price of $2.40 for a certain number; just the figure that is paid was the association price at $2.40, but they tell the farmers they have more surplus than they really have.

By Mr. Bertrand:

Q. Can you tell us what they do with the surplus milk?—A. You mean the real surplus or the other?

Q. With the real surplus?—A. They skim it.

Q. And what is done with the skim, used for table or sweet cream?—A. It is used for table cream or ice cream.

Q. It is used for table cream and ice cream?—A. Yes.

Q. You said a moment ago there was a certain amount pasteurized; for instance, you mentioned in a month they pasteurized so much; I think it was for the month of September?—A. Yes.

Q. Giving a certain quantity as real surplus and a certain quantity as added surplus milk?—A. Yes.

Q. Now, the real surplus milk, that is in September—do I record the month properly?—A. Yes.

Q. Was that all skim?—A. Yes. That is the real amount of milk skimmed.

Q. You have no figures as to what were their revenues for that skim milk, I suppose?—A. No, not now.

Q. In your knowledge, do you think that it brings the company less, as much or more, sold for sweet cream?—A. The milk they use—they skimmed to be sold for cream purposes should have been paid the same price, the regular price.

Q. That is not my question. Do you know if it brings, once it is sold into cream— A. Yes.

Q. Either sweet cream— A. Yes.

Q. Or for ice cream purposes?—A. Yes.

Q. The manufacturer of ice cream, does it bring to the company less, the same or more money?—A. More money; because the milk is paid on account of the butter market.

Q. Supposing you had one hundred pounds of milk and sell it as fluid milk?—A. Yes.

Q. It brings a certain amount?—A. Yes.

Q. Suppose you skim that milk and put it in sweet cream, and you sell it as sweet cream; will it bring as much a hundred pounds?—A. Just as much, because they pay less.

Q. I say would that bring as much money?—A. Yes.

Q. It will bring as much money?—A. Yes.

Q. Will it bring more?—A. Well, I can't tell you exactly, because I would have to figure it out.

Q. Are you under the impression that it would bring as much or more?—A. As much money.

Q. As much money?—A. Yes.

Q. Could the company count that the amount of fictitious surplus—let us call it so for the moment—would be that they have pasteurized a certain amount of milk, put it on wagons for delivery, and what they had to bring back to the plant, would be the discrepancy between the two figures?—A. No, it is not mentioned in that. It is only milk received.

Q. I don't think I am making myself plain.—A. You mean milk the driver returns?

Q. Returns.—A. It is not mentioned in that, because that is only the receiving.

Q. Are the returns from the wagon taken into consideration in your calculations?—A. Yes; it is skimmed and it is used in milk for cream when it is good.

Q. Consequently, taking the real surplus milk as you count it, and the returns from the wagon, from the delivery wagon to the plant, you are taking that into consideration; and this is skimmed, and in your opinion brings as much money to the company as any other milk?—A. Yes, when it is used for sweet cream, when the milk returned is not sour; because when it is sour, it is used for butter.

Q. Is there a great proportion coming back as sour milk?—A. Yes, there is quite a difference. It does not not pay as much.

Q. In your opinion, about what percentage which is brought back from the returns of the delivery wagon is sour?—A. I can't tell you exactly.

Q. You have no idea?

The CHAIRMAN: Would it account for all that surplus, that is what you mean, Mr. Bertrand?

Mr. BERTRAND: I beg your pardon.

The CHAIRMAN: You mean to say would it account for that extra surplus.

The WITNESS: He is speaking about milk returned from the wagon.

Mr. BERTRAND: I am trying to find out if the company could justify this, if the returns from the delivery wagon would make up for the discrepancy.

The CHAIRMAN: Yes, I understand.

Mr. MOORE: You might ask him if he took out one hundred quarts of milk in his wagon, how many would he likely have come back, the average, approximately.

Mr. BERTRAND: Yes.

By Mr. Bertrand:

Q. Do you know about the average of returns that there are from the wagon? —A. No, I don't know.

Q. If you don't know the average of returns, you don't know the average or amount of sour milk that would be returned?—A. No, I don't know exactly; but they take just the ones they need.

Q. They are pretty strict on these orders with delivery men?—A. Yes, because they don't want any returns.

Q. Consequently the quantity would not be so much?—A. Not so much.

By Mr. Pickel:

Q. What is done with the skim milk?—A. Well, they might use the cream for table cream or ice cream.

Q. The skim milk, the separated milk?—A. Well, sometimes they throw it in the sewer; sometimes they sell it to a certain company in Montreal to be used to fatten chickens.

Q. Do they make buttermilk, apart from what they churn?—A. Yes, but no market on that.

Q. That is very small?—A. Yes.

By the Chairman:

Q. Mr. Roberge, you say that a certain amount of this milk was paid for at contract prices, or at least at association prices?—A. Yes.

Q. And how was the milk disposed of that was paid for at contract prices? —A. It is all bottled, pasteurized.

Q. All bottled?—A. All bottled.

Q. Did they have no sale of bulk milk to restaurants or places of that kind? —A. For hospitals, sometimes.

Q. And did they get the same amount of money for milk that was delivered in bulk as they did for milk that was bottled?—A. No, they had special prices for that.

Q. What was the difference; can you tell me that?—A. No, I don't know because I didn't handle the sales.

Q. Would you suggest that there is no chance whatever that the difference in the price of milk sold in that way might account for the difference in surplus? —A. It is pretty hard to say.

Q. There may be a reason for this extra amount of surplus over and above that that was not pasteurized, and the reason might be that they disposed of milk in bulk for which they took a good deal lower prices.—A. When they reduced prices they have to take their profit just the same.

Mr. McGillis: Would not the surplus be sold as fluid milk?

The Chairman: Oh, yes.

By Mr. Pickel:

Q. You say you were instructed by the superintendent or manager as regards the amount of fictitious surplus?

Mr. Bowman: Mr. Chairman, if you will allow me to interrupt—frankly I have been wondering these last few minutes just how far we should press this witness at the present time. I think all the members of the committee appreciate that the charges that are made are most serious; and I think we should be just a little slow at the present time before we know where we are at, in pressing the witness too far. Personally, as a lawyer, I must admit that I don't know just what the practice is before committees of the House, just how far we can protect the witness. This witness might have to have protection in this committee. In all fairness he should have.

Some Hon. Members: Hear, hear.

Mr. Bowman: I would be inclined to say that perhaps the witness might be allowed to appear to-morrow, or whatever day the committee next desires to sit, and in the meantime that we probably find out just where we are at in this matter.

The Chairman: I don't think, Mr. Bowman, that we could protect the witness against false statements. The fact that he is on oath—

Mr. Bowman: I am taking it for granted, Mr. Chairman, that his statements are true. As the Chairman is aware that in the ordinary court of law the witness very often asks for and gets the protection of the court in so far as any statements which he may make are concerned; and as I say, unfortunately I must confess that I am not just sure what the procedure before a committee of the house is. But as I said before, I do think that the committee should protect this witness in so far as we possibly can. The fact is that the statements that he has made clearly indicate that the company that he has named, if we are to believe his statements that are given, have been guilty of a very, very serious practice, a criminal practice, as a matter of fact. I think you, sir, as Chairman of this committee, should notify that company of the very serious statements and charges that have been made; so that they may take, if they so desire, the first opportunity of presenting themselves to the committee possibly, or take such action as they may deem advisable in the circumstances.

The Chairman: Well, would it not be better to have the committee authorize the clerk to do that, or shall I do it myself?

Mr. Wilson: Would it not be advisable to subpœna that company. Let us get to the bottom of this matter. If this company is doing wrong, they should be punished for it. We should get at the bottom of it. I think we have been dilly-dallying too long.

The CHAIRMAN: If the company is subpœnaed, I think they should have an opportunity to cross examine the witness here, to be perfectly fair to them.

Mr. WILSON: If they were to bring their records, would they not show exactly what he has said, or disprove what he has said? A lot of people have the same suspicion in regard to what has been brought out, and we want to prove it from the company. I think we should take action and subpœna the company here at the earliest opportunity.

The CHAIRMAN: If that is the wish of the company, all right.

Mr. THOMSON: I would move to have the company subpœnaed and ask it to appear here either to confirm or contradict the statements that have been made. (Carried.)

The CHAIRMAN: We shall meet to-morrow at eleven o'clock. There are other witnesses summoned for to-morrow, and I think we should leave the present witness to finish his evidence on Thursday when the company will be present. Is that satisfactory to the committee?

Committee adjourned at 9.15 o'clock, to meet on Wednesday, April 12, at 11 o'clock a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 12, 1933

No. 15

Reference,—Milk and Milk Products

WITNESSES:

W. F. Jones, General Manager, Ottawa Dairy, Ltd.,

B. H. Thorne, Secretary-treasurer, Ottawa Dairy, Ltd., and Regional Accountant, Borden's Limited of Canada.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Wednesday, April 12, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Boyes, Brown, Butcher, Coote, Donnelly, Fafard, Gobeil, Hay, Jones, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Porteous, Rowe, Sauve, Senn, Shaver, Simpson, Spotton, Stirling, Taylor, Thompson, Tummon, Weese, Wilson.

W. F. Jones, general manager of Ottawa Dairy Limited, was called and sworn.

Witness read a prepared statement and was examined at length. Witness to file certain required information with the clerk.

Witness retired.

B. H. Thorne, secretary-treasurer of Ottawa Dairy Limited and regional accountant of Bordens Limited of Canada, called, sworn, examined and retired. Witness to file certain further required information with the clerk.

The meeting adjourned at 1 o'clock to reconvene at 3.30 p.m.

The committee reconvened at 3.30 p.m., Mr. Senn presiding.

Witnesses Jones and Thorne were recalled and submitted to further examination.

Witnesses retired.

The meeting adjourned till 10.30 a.m. Thursday, April 13, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

April 12, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, Mr. Senn presiding.

The Chairman: The committee has met this morning to hear Mr. Jones of the Ottawa Dairy.

Walter Frank Jones, called and sworn.

By the Chairman:

Q. Will you give your name and occupation to the committee?—A. Walter Frank Jones, General Manager of the Ottawa Dairy.

Q. I understand you have a statement prepared?—A. Yes.

Q. Which you intend to submit to the committee?—A. Yes.

Mr. Chairman and members of the Agriculture Committee, as one extremely and vitally interested in the welfare of the Canadian Dairy Industry, I welcome the opportunity of giving evidence before this Committee. My whole working life has been devoted to dairying in one capacity or another, and comprising actual dairy farming, dairy products manufacturing, governmental positions—both Federal and Provincial—and for the past four years back in the commercial field, in the order named. For some time I have been under the impression that the reading public has not clearly understood the problems confronting the industry,—particularly the production and distribution of fluid market milk—and I am sincerely hopeful that the deliberations of your Committee will result in the true facts being made accessible to the public.

With this thought in mind, I have had prepared a series of tables showing the purchase and selling prices of milk by our company, the nominal and actual spread, and other data pertinent to the subject under investigation by months for the years 1931 and 1932, but before presenting same, may I be permitted to spend a few moments to describe briefly some of the outstanding factors which have affected the Ottawa milk situation during the past year of 1932.

Conditions prevailing in the purchasing and distribution of milk to the Ottawa market were far from satisfactory, both from the farmer's point of view and also from that of the dairy companies. Low prices to the producer, as compared with those of a few years ago, and reduced margins enjoyed by the distributors were not conducive to the happiness of either parties. It is true, the Ottawa consumer may have benefited temporarily from lower retail prices, although even he is beginning to suffer as a result of reduced purchasing power on the part of many farmers and its effect on the prosperity of the city as a whole.

The unfortunate situation of last summer was not peculiar to the city of Ottawa; it was general throughout not only Canada but other countries in varying degrees of intensity. But because of the facility with which relatively cheap milk may find its way to the Ottawa market, it was probably more pronounced in this district than in other cities of corresponding size in Ontario and Quebec. In the case of our own company, eighty-five per cent of all the milk we purchase is produced within 10 miles from the city, and practically all the milk consumed in Ottawa comes from a zone of approximately 20 miles.

The world markets in general and specifically the low prices obtaining for butter and cheese were the basic cause of the breaking down of the fluid milk

price structure in Ottawa last summer. In former years, when butter and cheese prices were high, the patrons of such factories were able to maintain their farms and earn a comfortable living from the revenue from such factories, so that there was little incentive to them to enter the city milk market. But as butter and cheese prices became lower and lower, the producer of milk for these products was of necessity forced to find a more profitable market, and thus relatively cheap milk became available to new companies in the market milk business. A lower cost of product than that paid by the older established companies enabled the newer concerns to sell at reduced prices. The Milk Producers' Association, from whom the larger companies purchased the raw product, was reluctant to dispose of their milk at a price to the companies which would permit them to meet the reduced selling prices of the newer concerns. For many months the older companies did their utmost to maintain fair prices to the consumer and producer of milk, but, finally, the effect of the competition of factory milk on volume of sales made it compulsory to meet this low priced competition in order to preserve their market and that of the regular fluid milk shippers.

Lower selling prices necessitated lower purchasing prices to the farmer, although, as shown by Tables I and II, part of the reduction was absorbed by the dairy companies. While such action was successful in combatting competition from factory milk, it resulted in a number of farmers—dissatisfied with the lower returns for their milk—endeavouring to sell milk at cut prices direct to Ottawa consumers. It is obvious that, while the relatively few individual farmer pedlars may benefit by such a policy, the majority of the milk shippers to the Ottawa market suffer in that such conditions prolong the day when a return to normal prices may be realized by the main body of milk producers.

In 1929 the city of Ottawa was served by 13 milk distributors and three pasteurizing plants as compared with 14 pasteurizing plants and approximately 60 individual distributors to-day. In addition to the farmers who sell their milk direct to the consumer, a large number of independent producers, some located relatively great distances from the city, are disposing of their cream to householders, which decreases considerably the amount of sweet cream which would otherwise be supplied by the Milk Producers' Association.

A former witness before this Committee recommended a "coercive association" of milk producers as a means of improving conditions in the market milk industry. I do not know if it is possible to compel men to become members of an association, but I do believe that the stronger and more active the association, the fewer will be the sad experience of last summer.

In this connection may I quote from the report of the English Reorganization Commission, appointed last April under the chairmanship of Sir Edward Grigg:—

> The greatest weaknesses of the present organization of milk producers are incompleteness and the lack of control over the individual. The National Farmers' Union no doubt includes in its membership a substantial proportion of milk producers in the country, but no organization can hope to secure the maximum effectiveness unless it is all-embracing and can count on the loyalty of its individual members.
>
> Whatever else it may be desirable to achieve by the reorganization of the industry it is therefore essential to secure that the producers are placed on a stronger footing. They must be in a position, firstly, to bargain as a body with one voice; secondly, to speak with full knowledge of relevant facts; and thirdly, to ensure that no milk is sold outside the conditions laid down in the negotiated agreement, whether it be the national agreement or a variation of that agreement mutually accepted for application to a specific area.

The same thought is expressed by Mr. W. G. Marritt, secretary of the Ontario Whole Milk Producers' Association, who has stated that one of the chief policies of his association is "to control all milk shipped to the whole milk markets." and by an editorial in the "Ontario Milk Producers," published by the same association, which reads "without effective organization there is no hope of stabilizing the fluid milk market."

May I now refer to the operations of the company which I represent, viz., the Ottawa Dairy, Limited.

Tables I to IV, copies of which have been photostated and will be filed with your committee, furnished data with respect to our purchases and sales of milk by months for the years 1931 and 1932. Last year we purchased a total of 29,533,673 pounds of milk at a value of $345,055.37, or an average price of $1.17 per 100 pounds (see Table III) f.o.b. farm. In comparing purchase prices of milk in Ottawa with those prevailing in other cities, it should be borne in mind that the former prices are f.o.b. the farm, whereas in other cities the prices quoted are usually delivered either the plant or the railway platform. The average haulage cost of milk in the Ottawa district for 1932 was approximately ·43 cents per quart.

Of the total amount of milk purchased, 23,665,597 pounds or 80·1 per cent was paid for at the association price, 1,921,605 pounds or 6·5 per cent at sweet cream prices, and the balance of 3,946,471 pounds, or 13·4 per cent, at surplus milk prices. (See Table IV.)

The average prices paid per 100 pounds for each of these three classes of milk were as follows:—

Association, $1.29; sweet cream, 77 cents; surplus, 64 cents. Average for the whole year, 1932.

The figures in Table II show that in 1932 we purchased 13·8 per cent more milk at the association price than we required for our street sales, comprising both retail and wholesale.

Sweet cream and surplus milk prices are based on the prevailing prices of milk furnished to butter and cheese factories. The following table shows the prices paid by our company for sweet cream milk as compared with the prices which would have been realized by the farmer had he shipped same to a butter factory and received a special grade for all his cream.

PURCHASE PRICE PER CWT. OF MILK FOR SWEET CREAM COMPARED WITH BUTTER FACTORY PRICES

Month	Sweet cream milk	*Butter factory price	Difference
	$ cts.	cts.	cts.
January	1 01	70·75	30·25
February	0 97	59·50	37·50
March	1 02	85·75	16·25
April	0 84	70·00	14·00
May	0 82	59·50	22·50
June	0 71	56·00	15·00
July	0 69	56·00	13·00
August	0 70	63·00	7·00
September	0 77	73·50	3·50
October	0 77	73·50	3·50
November	0 78	70·00	8·00
December	0 78	70·00	8·00
Average for the year	0·7694	66·09	10·85

*Special grade prices converted to 100 pounds of 3·5 per cent milk.

The average price paid for sweet cream milk was lower than the cost of the milk used for sweet cream, as shown in another table, owing to our over purchases of milk at Association price being used for sweet cream sales. Sixty-six per cent of the milk used for sweet cream sales was purchased at the street sales price.

Table I gives by months for the year 1931 and 1932 (*a*) the purchase price f.o.b. the farm per 100 pounds and per quart of milk testing 3·4 per cent fat agreed upon between the Milk Producers' Association and our company, (*b*) the highest selling price per quart paid by the consumer, and (*c*) the spread per quart between the two. The average nominal spread for 1932 was 6·064 cents per quart as compared with 6·353 cents in 1931, a decrease of ·289 cents per quart, which represents a total decrease in spread of $23,308.81 on our volume of sales.

The actual spread differs from the nominal spread owing to,—

(1) Premiums paid for milk testing over 3·4 per cent fat, which increases the purchase price above the price agreed upon between the association and the company. In 1932 the net premiums paid by our company amounted to $13,315.97.

(2) Milk being sold at prices lower than the highest retail price, e.g. to stores, hospitals, restaurants and social service customers. In 1932 seventy-one per cent of our milk sales were retail and 29 per cent wholesale, while the percentage of cream sales were 57 and 43 for retail and wholesale respectively.

Table II shows by months the pounds of milk purchased at the association price, plus premium, the actual purchase price per hundredweight and per quart, the number of quarts sold, the value of sales, the sales value per quart and the actual spread.

From this table it will be noted that:—

(1) The selling price per quart was 8·92 cents in 1932 as compared with 10·96 cents in 1931, a decrease of 2·04 cents per quart.

(2) The average spread obtaining in 1932 was 5·62 cents per quart as compared with 6·06 cents in 1931, a decrease of ·44 cents per quart, or a total of $35,492.04 which our company absorbed as a result of the decreased spread.

Table IIA compares the nominal spread per quart with the actual by months for the years 1931 and 1932. In the latter year the actual spread between the purchase and selling price was nearly one-half cent (·44 cents) lower than the spread which the reading public were led to believe was enjoyed by the distributor.

The following table explains how the spread between cost and sales value was distributed among the various expenses necessary to handle and distribute a quart of milk in 1932.

—	Converted quarts	—	Percentage of selling price
	$	$	
Sales	....	0·0890	
Cost of product	0·0366	....	41·12
Production expense	0·0151	....	16·97
Selling and delivery expense	0·0333	....	37·42
Container costs	0·0025	....	2·81
Net profit (after income tax)	0·0013	....	1·46
Income tax	0·0002	....	0·22
Total cost and profit	....	0·0890	100·00

Before concluding this voluntary statement, may I add that our company always confers with the executive of the Milk Producers' Association before making any changes in the purchase price, or in the method of purchasing milk. While it is regrettable that world conditions, which neither the association nor ourselves were able to control, resulted in lower prices last summer to the producer than have been in effect for a great many years, we are of the opinion that had it not been for the close and harmonious contact existing between the association and the few distributors who purchase their milk from the association, the unfortunate situation might have been still more disastrous.

We believe in a strong, active, Milk Producers' Association as being in the best interests of the market milk industry and are appreciative of the sane judgment and spirit of co-operation exhibited by the executive of the Ottawa Valley Milk Producers' Association during the last few trying years.

Q. That is the extent of the statement, Mr. Jones?—A. Yes.

Q. You have not any further statement to make in regard to items of expenditure?—A. Well, I have that.

Q. You have it only in percentages?—A. Yes, but I have that covered with our analysed statement of net income, sir. Maybe there are some questions to be asked.

Q. There will be questions, no doubt. You say to begin with that the fact that the number of distributors has increased very materially has had an effect on the prices to the producer?—A. Yes.

Q. Why?—A. Because it has decreased the volume of sales to the companies to whom the Ottawa Dairy Milk Producers Association has been selling their milk.

Q. You mean the smaller company is underselling the larger company?—A. Yes.

Q. Can they do so at a profit?—A. I do not know, sir.

Q. Is it not rather a strange coincidence you cannot compete with them, or can you compete with them?—A. Time will tell, sir.

By Mr. Boyes:

Q. You were making a comparison of the prices you paid for sweet cream with the prices paid for select cream at creameries. Is that fair? The cream that is paid for at creameries is bought for the purpose of manufacturing butter, and yours is for the purpose of making sweet cream.—A. I cited that table to show the difference that the farmer would receive.

By Mr. Tummon:

Q. Mr. Jones, I am unable to follow all the tables and figures you gave. I do not want to ask any question that is a repetition of what you have given in your statement. I think you have pretty well anticipated some of the questions I was going to ask. However, there is a producers' association which you mentioned, around the city of Ottawa?—A. Yes.

Q. Have you any idea as to how many producers that association represents?—A. I prepared those figures, but I am sorry I have not them with me. From memory I think the producers association represents approximately 80 per cent of all the milk consumed in Ottawa. I have those figures in my office, sir, and I could give them to you.

Q. You cannot put a rough estimate on the number of producers?—A. No. I can get you that information. I have it in my office, but I figured it out on the percentage of milk delivered to Ottawa, and if I recall correctly, it was about 80 per cent. I can give you the actual number.

Q. The actual number?—A. Yes.

Q. I think it would be interesting if we had that. Now, those producers that you spoke of as composing the Ottawa Producers' Association, or the Ottawa District Association, you say, are all within a radius of 10 or 20 miles of the city of Ottawa?—A. No, I think there are some—I think there may be some a few miles further than 20 miles, but the big majority of them are within a radius of 20 miles.

Q. Your milk practically comes from all within that district?—A. Yes, I gave you the figure.

Q. In arranging the price that is to be paid, the association price, how do you proceed with the Producers' Association in arriving at that price?—A. We first get in touch with the president of the Producers' Association and arrange for a meeting, and the distributing companies, the few distributing companies who purchase through the association, meet the executive of their association, and discuss prices, sometimes until one and two o'clock in the morning.

Q. How many distributing companies in the city of Ottawa co-operate in that way?—A. Four.

Q. Just four?—A. Yes.

Q. You say there are at the present time how many distributors in Ottawa?—A. Approximately sixty.

Q. Approximately sixty?—A. Yes.

Q. And that increased during the past?—A. Since 1929.

Q. I think you said something like—I tried to get it down, but I think you mentioned that in 1929 there were thirteen distributors?—A. And three pasteurizing plants.

Q. Three pasteurizing plants?—A. And those have increased to sixty and—

Q. —and fourteen pasteurizing plants. What are the names of the four distributing companies who meet with the producers' association?—A. Clark's Dairy.

Q. What is that?—A. Clark's Dairy, Central Dairies, the Producer's Dairy and the Ottawa Dairy Limited.

Q. How do you proceed now, when you have your meetings, to arrive at the price that is going to be paid?—A. The executive of the Ottawa Valley Milk Producers' Association sit in one room, and they compare notes. The representatives of the four different companies sit in another room and compare notes. Then we as distributors are called in to their meeting, and we discuss the situation at some length. We retire, come back again, and if we are fortunate we arrive at a price that night. If not, we have a subsequent meeting and discuss the price.

Q. All your milk is pasteurized, Mr. Jones?—A. Yes.

Q. All that you distribute?—A. Yes.

Q. How many pasteurizing plants are there in the city of Ottawa, do you know?

The CHAIRMAN: He said fourteen. Here it is.

The WITNESS: Yes, there are fourteen pasteurizing plants taking care of the milk consumption in Ottawa. I don't think all of those are located in the city. There are one or two that are outside of the city.

By Mr. Tummon:

Q. Is it compulsory in the city of Ottawa; are there any by-laws of the city that compel or demand that all fluid milk delivered in the city or distributed in the city, be pasteurized?—A. No, sir.

Q. There is no by-law covering that or demanding that?—A. No, sir.

Q. Then the question as to whether or not the consumer buys pasteurized milk lies with the consumer, does it?—A. Absolutely, sir.

Q. How many classes of milk are delivered or distributed in the city?—A. By our company?

Q. Yes, your company first.—A. There is Jersey milk—

Q. All right, let us get it in order. First there is pasteurized milk?—A. And raw.

Q. Now, what do you mean by raw milk?—A. Milk that is not pasteurized.

Q. Just the same milk that comes in from the producer, only it has not passed through the pasteurizing plant?—A. That is right.

Q. That is two. Then you say there is Jersey milk.—A. The various classifications are as follows: there is Jersey milk which has approximately five per cent fat content or better; and nursery milk with a fat content of approximately four per cent; the regular pasteurized milk with an average fat content in the case of our company of 3·565 per cent in 1932. Then there is homogenized milk. I think that covers all the classifications.

Q. Let us take the question of pasteurized milk. We had evidence the other day, if I remember correctly—I have not had time to look it up, but if I remember correctly the evidence was that in connection with pasteurizing milk that there was a loss of approximately two quarts on every eight gallon can in the process of pasteurizing. Do you agree with that?—A. Our total shrinkage over a period of time is from 1·8 to 2 per cent of all the milk we handle. That is what we call the shrinkage or loss; an average, I would say, of approximately 1·9 per cent.

By the Chairman:

Q. Through pasteurizing?—A. Not only through pasteurizing, but through some staying in the pipes or staying in the cans.

By Mr. Tummon:

Q. Slopping, or spilling?—A. Yes. The total shrinkage. I have not got the percentage of decrease due to pasteurizing alone. I don't know where we could get it. I endeavoured to get it. I remember some years ago Professor Dean of Guelph came out with some figures on it, but I could not find the reference; I am sorry I can't give you that.

Q. You would be inclined to say that the actual loss as a result of pasteurization is not two quarts out of every eight gallons?—A. Well, I would have to figure that out. I would say it is not greater than 1·9 per cent of the total milk handled.

Mr. TUMMON: Well, Mr. Chairman, I am of the opinion that this is quite an important point in this investigation; at least I have thought over it. I understand that there is a pasteurizing plant at the experimental farm, and I think it would be a good plan if this committee would ask the Minister of Agriculture to make actual tests there with the pasteurizing plant, and see just exactly what the shrinkage is as a result of pasteurization.

The WITNESS: A can of milk, Mr. Tummon, weighs approximately 80 pounds. If you have two per cent shrinkage of that, it would be 1·6 pounds; and the average weight of a quart of milk, milk of average specific gravity, is 2·58. So that from that figure it looks as though—

By Mr. Tummon:

Q. You are a long ways under.—A. Yes, under a quart.

Q. That is what I thought. Now, the average cost per quart that you gave us a while ago there, the average cost of your quart—you gave there the total number of pounds of milk that you purchased in 1931 and 1932, didn't you?—A. Yes.

Q. You have that in the table; I don't want to repeat that.—A. Yes.

Q. You gave there the actual cost figured down to a quart?—A. The actual price paid to the farmer f.o.b. his farm for the quart of milk.

Q. You gave us that?—A. Yes.

Q. That actual cost per quart that you gave us there, does that cover just milk that was pasteurized or does that cover the different grades of your milk that you deliver?—A. No; that just covers what we purchased at the street sales prices, in Table 2.

Q. Yes, I know; purchased at the street sales price, but the street sales price for your pasteurized milk or for your jersey milk; are they all included in that?—A. Not the nursery and the jersey.

Q. No special milk?—A. Because we produce that ourselves on our own farm. It just applies to the milk we purchased from the farmers for pasteurizing and for selling to the consumers.

Q. Unpasteurized?—A. Pasteurized, selling pasteurized.

Q. Then it does not include milk that you say is delivered in the city but not pasteurized?—A. We don't deliver any milk in the city that is not pasteurized.

Q. I thought you told us a minute ago that you did?—A. Our milk is all pasteurized.

Q. But the other companies may deliver it not pasteurized?—A. I don't think so, sir.

Q. I understood you to say that it was not compulsory to pasteurize it, and that some milk was delivered just as it was received from the producers, but not pasteurized.—A. Some milk is being sold.

Q. That answers my question, while your company might not. That is raw milk, of course?—A. Yes.

Q. And that includes the entire cost practically of the milk, street sales milk. Now, will you refer again to the items that make up the spread. You said the spread was how much, Mr. Jones, the spread between the cost price and the average street selling price?—A. The actual spread in 1932 per quart was 5·62 cents.

Q. 5·62 cents. How do you account for that spread?—A. Cost of product 3·66

Q. 3·66, that is the price of milk paid to the producer, plus carrying charges into your plant?—A. Yes.

Q. All right.—A. Production expense, 1·51.

Q. What do you mean production expense? What enters into that?—A. Production expense comprise the following: salaries and wages, all plant supervision, laboratory, power and refrigeration, receiving and testing, pasteurizing bottling, canning, washing bottles and cans, making condense, powder and casein, ice and brine, building repairs. Those are the captions we use under salaries and wages.

Q. Yes?—A. There is another item under production expenses, named "expenses." That includes stationery, postage, supper money—that does not apply in the milk business, that applies to the ice cream business—telegraph and telephone, travelling expense, books and magazines, automobile expense, laundry, water, light, heat, testing new bottles, ice-making. There is another sub-heading under production expenses, "Materials": ammonia, coal used, cartons, wrappers, bottle caps, ice and salt used, washing powder, laboratory materials, brine, service suits and coats. Depreciation comes under production expense. The rate of depreciation is as follows: on buildings, $2\frac{1}{4}$ per cent to $3\frac{1}{4}$ per cent, depending on the nature of the building; machinery and equipment for milk, six per cent.

Q. Just a minute there, Mr. Jones; depreciation on building you say how much?—A. Two and one-quarter per cent to three and one-half per cent.

Q. I wonder if you would be prepared to give an estimate of the number of years that it would be fair to write off the depreciation on buildings?—A. No, sir, I am familiar wth that. I could not do that. It would depend on the nature of the buildings, and the changes that are made to keep up with the times, from time to time.

Q. Would you say that it would be fair if a company were prepared to write off the depreciation on the buildings for twenty years?—A. I am sorry, sir, that I am not in a position to answer that.

Q. You could not say that?—A. I would if I could, but I am not in a position to answer that question.

Q. All right.—A. Machinery and equipment for milk, 6 per cent; horses, $3 per horse per month; harness, 10 per cent; wagons and sleighs, 10 per cent; cows, $2 per cow per month; furniture and fixtures, 7 per cent; automobiles, 25 per cent, 20 per cent and 12½ per cent, depending on the size and weight and so on of the trucks; the larger the truck, the heavier the truck, the lower the rate of depreciation.

Insurance: self fire insurance and other outside coverage; and property taxes. Those are the sub-headings under production expense.

Q. Then really what you have under production expense covers distribution; in short, it covers the handling in the plant, and the distribution, does it not?—A. Not the distribution, sir. Just the production. The distribution would come under selling and delivery expense.

Q. Well, what automobiles then, and what trucks have you placed in production costs there?—A. Well, now, I am not sure whether they enter into that production expense or not. I gave you the total headings that come under that. Some of them apply to ice cream and other products. Those are the total headings. We have two cars that are doing certain work of the dairy hauling bottles maybe from ourselves to other distributors, and doing work of that nature, and a portion of that is placed in that.

Q. They are really not in distribution?—A. Oh, no, they are not in distribution at all.

Q. Then you have not charged into the cost of production these vehicles which are used for distribution?—A. No, sir.

Q. All right. Then come to the next cost?—A. Selling and delivery expenses, 3·33.

Q. All right; what is covered by that?—A. Salaries and wages—that is a sub heading; under salaries and wages, delivery supervision,—(that is supervision of the route salesman)—office employees, solicitors, foremen, route salesmen helpers, stable men, washing wagons, horse shoeing, yard men, watchmen, garage supervision, mechanics and service men, tin shop and wagon shop. Another sub heading, Commissions: route, salesmen and inspectors. Another sub heading, expense: Stationery, postage, telegraph and telephone, travelling expenses, waste on routes, stable expense, horse shoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenace buildings and structures, machinery and equipment, harness and wagons, painting and miscellaneous. Under materials: Feed and bedding, horse shoeing materials and supplies, gasoline and oil, tires and tubes, repair parts and supplies used in shops. Insurance: self fire insurance and other outside coverage. Taxes: Property, automobile licences, business tax. That is all included under selling expense.

Q. I notice in that account there you mentioned maintenance of buildings and such like, didn't you?—A. Yes, repairs and maintenance buildings and structures.

Q. Well, in the previous account, in the cost of production, you wrote off depreciation for buildings?—A. Just what percentage is used for each one I could not say.

Q. You separate the buildings, do you?—A. We have a separate account for each department?

Q. Buildings that are used wholly for the distribution is charged into that?—A. Yes.

Q. All right, what is next?—A. Container cost.

Q. Which?—A. Container cost, ·25.

Q. What does that include?—A. That includes bottles, cases, caps—no caps—and cans.

Q. You furnish the cans to the producer?—A. We charge a rental on the cans.

Q. How much rental do you charge?—A. The rental is 7½ cents per can per month.

Q. And you keep the cans in repair?—A. We keep the cans in repair. I should explain that that is on one set of cans, 1½ cents a can. Supposing a shipper was sending in three cans a day—supposing he averaged three cans per day. He would be charged for six cans at 7½ cents a can per month, which would amount to 45 cents for the month.

Q. If a man had three cans of milk per day, I presume you go on the ground that he will have three cans coming in and three cans going out?—A. He has three cans at the farm to hold his milk. That was based on the depreciation of the cans. We did quite a bit of work on that before we arrived at this figure, which we felt was a fair figure.

Q. In regard to the bottles, can you give the committee any idea of the cost of bottles, that is the annual cost to your company of bottles?—A. Yes. I have this in shipments and value. Value of loss, it shows a total of 9,772,803 shipments with a total value of loss on those shipments of $21,364.

Q. For a year?—A. For the year 1932.

Q. $21,000?—A. $21,364.98.

Q. That covers loss of bottles and breakage?—A. Yes, everything to do with it.

Q. And replacements?—A. The way we do, we take an inventory at the beginning of the month, or rather the end of the month, and then we take an inventory at the end of the next month, and the difference between the two we determine is our loss of bottles.

Q. You never have any profit?—A. The value of the loss per shipment or value of the loss per quart of milk handled was ·1782 cents.

The CHAIRMAN: Repeat that question, Mr. Tummon.

The WITNESS: You mean profit on the bottles, I presume?

By Mr. Tummon:

Q. Yes?—A. I don't see how we could get a profit on the bottles.

Q. I thought some bottles might turn up that were lost.

Mr. STIRLING: The annual collection, bottles are collected.

By the Chairman:

Q. I understood from you, Mr. Jones, that you take an average of one month and estimate the total loss for the year?—A. No, we do it every month.

Q. Every month?—A. Yes.

By Mr. Tummon:

Q. Then you take the average for the year, the total for the year?—A. Yes, that is figured on the total for the year. In that connection I might say that the number of trips per bottle, that is all bottles, quarts, pints and

half pints, was 24·58. That is the average for the year, and it does not compare very favourably with figures that you have heard before from another representative of an associated company; but I would like to say that we have been giving this matter serious consideration for the last two or three years, and it is much better now than it was four years ago. I might say that at the present time we are getting over thirty trips per bottle, which shows that while we are not as good as some companies, we are on the right road, and we are not overlooking that cost of bottles.

Q. Mr. Jones, can you give the committee an idea of how many bottles you have on hand at present, from your last monthly statement?—A. I am sorry, I have not that figure. I could submit it though, if you like. Would you like me to file that with the committee?

Q. Yes, I think it would be interesting.—A. That is the number of bottles we have on hand say at the first of the month?

Q. Yes.

Mr. Stirling: At the last inventory taken.

The Witness: The last inventory taken?

By Mr. Tummon:

Q. Yes. Have you covered that item of cost, then?—A. As far as bottles are concerned. I don't see anything about cases. I have not those figures with me. We make our own cases. I think they cost us approximately $3.50 each. The bottles is the main item.

Q. You gave the items that made up that cost of distribution?—A. That covers it there.

Q. What is the next item that entered into the spread?—A. The income tax.

Q. Some of the members of the committee would like to know where the loss, the main loss in bottles comes about. Is it in the plant or on the street they are lost?—A. I think the main loss would be on the street, sir.

Q. How, in what way?—A. In bottles not coming back to the dairy. Our loss was greater at one time a few years ago, owing to the store trade. People would purchase bottles in the stores, and maybe the milk company whom that customer patronized was a different one from the company whose milk she bought in the store, and it was sometimes difficult to get those bottles back; so a few years ago we formed what is known as The Ottawa Milk Bottle Association to institute a store bottle in the city of Ottawa, and that is a universal bottle that is used here by the companies whose names I mentioned some time ago in reply to another question; and there is a deposit of five cents charged on every bottle that goes into the store; and that has, we feel effected quite an improvement. We don't see so many bottles in the spring of the year now as we did, when the snow goes away.

Q. Any one of these bottles, no matter whether used by another company, if it comes back to you, it is the same thing?—A. We redeem it.

Q. You say the next item entering into the cost of production or spread is the income tax?—A. Yes.

Q. And then after that— —A. The net profit of ·13 cent per quart.

Q. ·13 cent per quart. Your company, Mr. Jones, is an independent company, is it?—A. No, sir, our company is one of several associated companies.

Q. Of what company?—A. With a holding company of Borden's Limited of Canada.

Q. With head office where?—A. At Toronto.

Q. Head office at Toronto?—A. Yes, of Borden's Limited.

Q. Does Borden's Limited own more companies in Ottawa, any other company in Ottawa besides the one with which you are connected?—A. Yes, the Moyneur Cooperative Creamery, and the Chateau Cheese Company.

Q. Do they all distribute milk on the street?—A. No, sir. They manufacture butter and cheese. Then there is the Laurentian Dairy Limited, which comes under my supervision.

Q. It is part of the same company?—A. Yes. In fact, the figures that I have given you there are a combination of the two, of the Laurentian Dairy and the Ottawa Dairy.

Q. Then all the figures that you have submitted this morning in your report cover figures of the Ottawa Dairy and the Laurentian Dairy combined?—A. Yes.

Q. Then in reality Borden's Limited own four companies in Ottawa?—A. Yes.

Q. Can you give this committee any idea as to the number of companies that is owned in the province of Ontario by Borden's Limited?—A. I think I could recite them, sir. There is the four I mentioned in Ottawa. There is the City Dairy in Toronto; Caulfield's Dairy in Toronto.

Q. What is that?—A. Caulfield's Dairy.

Q. Yes?—A. The Hamilton Pure Milk Company in Hamilton; the Hamilton Dairies Limited in Hamilton. Those two companies are combined now.

By the Chairman:

Q. Just within the last week or two, this last month?—A. Very recently, I think. They have the Walkerside Dairy at Windsor and Borden's Niagara Dairy at Niagara.

By Mr. Tummon:

Q. That is in Ontario. Now, does that include, or are there any plants of Borden's Limited outside of those cities, out through the country, collecting?—A. Yes, I think there are other plants, but I am not familiar with those, of a manufacturing nature.

Q. Can you give the committee information as to how many plants are owned by Borden's Limited in the city of Montreal?—A. To my knowledge there are two, the Borden's Farm Products Company Limited, and J. J. Joubert, Limitée.

Q. You could not tell the committee the number of dairy distributing plants owned by Borden's Limited in the Dominion of Canada?—A. No, I think not. I could file that with the committee if you like.

Q. The number of plants in the Dominion of Canada?—A. Distributing milk, do you mean?

Q. No, I would like to have the number of plants including the creameries of Borden's Limited engaged in the dairy industry in the Dominion of Canada.

The CHAIRMAN: Why not have him segregate them to show those that are engaged in distribution, and all these others.

By Mr. Tummon:

Q. Yes, I meant that: those that are engaged in cheese making, the manufacture of condensed milk and the others—to segregate them?—A. I think I can give them all now, Mr. Tummon, those that handle fluid milk and ice cream.

FLUID MILK AND ICE CREAM

Borden's Farm Products Co., Ltd., Montreal; J. J. Joubert, Ltée., Montreal; City Dairy Co., Ltd., Toronto; Drimilk Co., Ltd., Toronto; Ottawa Dairy, Limited, Ottawa; Hamilton Pure Milk Dairies, Ltd., Hamilton; Caulfield's Dairy, Ltd., Toronto; Borden's Niagara Dairies, Ltd., Niagara Falls; Walkerside Dairy, Ltd., Walkerville; Ballantyne-Windsor City Dairies, Ltd., Windsor; Laurentian Dairy, Limited, Ottawa.

MANUFACTURING

The Borden Co., Ltd., Toronto; Hall's Limited, Toronto; Chateau Cheese Co., Ottawa; Moyneur Co-Operative Creamery, Ottawa.

Q. That just covers Ontario and Montreal?—A. My understanding is, sir, that that covers the whole Dominion.

Q. Does that include any collecting plants or small creameries that the company have purchased?—A. No, it does not, Toronto have some plants that are collecting that are not included there.

Q. Those were independent operating plants before they were taken over by the Borden company and were made subsidiary to these other plants?—A. Well, I would not say that they were all acquired that way, sir, I think some of them were subsidiaries before the main plant was taken over.

By Mr. Boyes:

Q. Might I ask, while you may be naming a Borden company of Toronto that would include, I would presume, a good many plants in western Ontario. For instance, there is the Borden's Milk Company of Ingersoll, and other different companies—one at Tillsonburg, one at Norwich, one at Belmont and different places. Have you a record of those?—A. Borden's Limited would include that, I haven't got the list of these separate plants. Perhaps it would be better to submit it.

Q. I wish that you would submit it, Mr. Jones, as we desire the fullest information on that line. There is a persistent rumour that in one year alone the Borden's company of New York purchased forty-nine plants in the Dominion of Canada. I would like to know just whether or not that is a fact?—A. I will submit the complete list in detail.

Q. I want it definitely cleared up?—A. Yes.

By Mr. Tummon:

Q. Have you brought with you this morning a financial statement?—A. Yes, sir.

Q. For what year?—A. For 1932.

Q. You will leave that with the clerk of the committee so it will be printed in the evidence?—A. Yes, sir.

Q. Now, that report, Mr. Jones, does it cover the Ottawa Dairy alone or does it include the Laurentian Dairy?—A. This is the combined.

Q. Do you operate these two companies as independent companies, or do you operate them as one company?—A. They both come under my supervision and we economize by, instead of having two waggons on the street as we formerly did under the Borden organization we have been able to effect some economies, all the waggons load up from my plant.

By the Chairman:

Q. Is their business done from the one office?—A. Yes, it is all under my supervision.

By Mr. Tummon:

Q. All the returns come to the one office?—A. Right.

Q. Very well then, that answers the question. Now then, when you are sitting in with the producers and attempting to arrive at the price that the producer will be paid, just how many representatives from your company sit in?—A. Just one.

Q. He represents both the Laurentian dairy and your company?—A. Yes, sir.

By Mr. Pickel:

Q. How long has the Borden's company been operating this Ottawa Dairy?—A. Since January 1, 1928.

Q. Before that it was run by?—A. By the Ottawa Dairy Limited.

Q. The Borden's company bought them out?—A. Yes, sir.

Q. What did they pay?—A. Mr. Chairman, the financial structure and questions of that nature—I am familiar with from an operating point of view, but I can get that information for you. Mr. Thorne, who is at my left here, is prepared to give you any information along that line that you may desire.

The CHAIRMAN: Mr. Thorne is here to answer questions of that kind.

By Mr. Pickel:

Q. You stated when you started your evidence that you had been engaged in the farming and milk distributing business all your life. Which end of it do you find the more profitable?—A. That is a rather difficult question to answer. It depends on the point of view.

Q. Well, take the present point of view from the producer's angle—a man running a dairy and getting about 2 cents a quart for his milk?—A. It would depend on the dairy, and depend on the farmer, and depend on the hired man.

Q. Well, I will put it in another way, Mr. Jones. You keep a dairy in connection with the Ottawa Dairy, a dairy farm?—A. Yes, sir.

Q. If you had to sell that milk from that farm at the price the ordinary producer gets, would that company be farming?—A. Well, that would depend.

Q. It depends on what? I am asking, if you were paid for your milk which you produce, the ordinary rates the farmer gets now, would it be profitable for the company to run that farm?—A. It would not be profitable at present prices.

Q. Who are the officers of the Ottawa Dairy?—A. The officers of the Ottawa Dairy Limited are: President, Hugh Carson, Ottawa; vice-president, W. F. Jones, Ottawa; treasurer, E. L. Noetzel, New York; secretary, W. H. Rebman, New York; assistant secretary-treasurer, B. H. Thorne, Ottawa; assistant treasurer, Geo. Bittner, New York.

Directors.—Hugh Carson, Ottawa; E. H. Conklin, Montreal; P. D. Fox, New York; G. G. Thompson, New York; Benjamin Rothwell, Ottawa; Gordon C. Edwards, Ottawa; A. E. Provost, Ottawa; W. F. Jones, Ottawa; C. H. Labarge, Ottawa.

Q. What is your capitalization?—A. That is another matter about which Mr. Thorne can give you more detailed information. I would prefer, if you don't mind, sir, that Mr. Thorne answer these questions.

Q. All right. How often do your directors meet?—A. Periodically, sometimes once a month and sometimes later, as they are called.

Q. At the call of the chair?—A. Yes.

Q. Are the directors paid for their services?—A. Those directors who are not associated with the company in any capacity are paid.

Q. How much?—A. $20 or $25, it is so long since I got a fee I don't remember.

Mr. THORNE: It is $25 per meeting.

Q. Your drivers are all bonded?—A. Yes, sir.

Q. What are their salaries?—A. They average from $28 to $30 per week.

By the Chairman:

Q. Is that salary, including commission?—A. Everything.

By Mr. Pickel:

Q. Does the statement that you are filing here in regard to the operation of your business include the ice cream business too?—A. Yes, that is in the financial statement.

Q. That is not operated separately?—A. It all comes under my supervision, it is all practically the one company.

Q. Do you purchase cream from the producers also?—A. No, sir.

Q. You produce your own cream?—A. We separate.

Q. Mr. Jones, the milk that you use, that you derive your cream from, is that listed as surplus milk?—A. The milk that we derive our cream from?

Q. You separate the milk for sweet cream?—A. For our sweet cream sales, that is listed as sweet cream purchases.

Q. Sweet cream purchases?—A. Yes.

Q. That is paid for on a butterfat percentage basis?—A. Well, it is a higher rate than the surplus milk.

Q. What is done with your surplus milk?—A. Our surplus milk goes into the manufacture of butter, and some into ice cream.

Q. Can you tell us the cost of your ice cream per gallon?—A. The cost per gallon for ice cream for the year 1932 was $1·1358.

Q. Per gallon, that is cost?—A. Yes.

Q. What is your selling price?—A. Our net selling price was $1·2416.

Q. What did you say was the percentage of your surplus?—A. It was 13·4 per cent.

Q. It was 13·4 per cent surplus?—A. Yes, sir.

Q. And none of that milk is utilized for cream?—A. Not for our sweet cream sales.

Q. Not at all?—A. No, sir.

Q. In the operation of your business which is the more profitable, the cream business or milk?—A. Per unit of value the cream business is showing more profit.

By Mr. Mullins:

Q. In connection with your dairy farm you just produce one class of milk? —A. We have two classes of milk, we have the jersey milk and then we have what we call our nursery milk.

Q. What is that?—A. Nursery milk, testing about 4 per cent.

Q. What breed of cows?—A. Ayrshires.

Q. Ayrshire, that's all right. Do you use jersey as a superior milk?—A. We sell that as jersey milk, some of our customers like jersey milk and we sell it as jersey.

Q. Do you know anything about Caulfield's in Toronto?—A. Not very much, sir.

Q. You don't know what the salaries of the drivers are?—A. No, sir.

Q. And you are paying here?—A. Twenty-eight dollars to thirty dollars a week.

Q. A Caulfield driver told me just yesterday morning that he only got $20. —A. Well, he might have been a man with a light route.

Q. He has been there a long time.—A. He might have been there a long time and continue to be relatively low. Some of our drivers get lower than that, and some more; it is just the average that I gave in the statement.

Q. Which milk do you think best, pasteurized, or milk straight from the cow?—A. Pasteurized, sir.

Q. Pasteurized, why?—A. I think it is safer.

Q. Well, some of us don't agree with you on that.

By Mr. Taylor:

Q. Your company here in Ottawa is a subsidiary of Borden's Limited, in New York, is it not?—A. Borden's Limited of Canada.

Q. They are a subsidiary of Borden's Limited of New York, who is the Canadian representative of Borden's Canadian company limited?—A. If I give you the officers of Borden's Limited, would that answer your question, sir.

Q. Yes.—A. The officers of Borden's Limited, are:—Chairman of the Board, J. W. McConnell, Montreal; president, S. J. Moore, Toronto; vice-president, A. T. Johnston, New York; treasurer, E. L. Noetzel, New York; assistant treasurer, Geo. Bittner, New York; secretary, W. H. Rebman, New York; assistant secretary, T. W. Waibel, New York.

BOARD OF DIRECTORS

The Hon. C. C. Ballantyne, Montreal; Gordon C. Edwards, Esq., Ottawa; P. D. Fox, Esq., New York; Sir Charles Gordon, G.B.E., Montreal; A. T. Johnston, Esq., New York; E. B. Lewis, Esq., New York; J. W. McConnell, Esq., Montreal; A. W. Milburn, Esq., New York; S. J. Moore, Esq., Toronto; Maj. Gen. The Hon. S. C. Mewburn, C.M.G., Hamilton; Britton Osler, Esq., K.C., Toronto; The Hon. Donat Raymond, Montreal; W. D. Strack, Esq., New York; Hiram H. Walker, Esq., Walkerville, Ont.

Q. That is the directorate of Canadian Borden's Limited?—A. Yes, sir.

Q. In receiving instructions from the New York office who would they be communicated to in Canada?—A. Instructions from New York I might say are very very few. The management of the individual companies is left to a large extent to the local management. Now, we have what we call an advisory committee which is composed of the heads of the various operating companies and we meet periodically, and if we have a matter of policy to discuss we do so at this meeting.

By the Chairman:

Q. By the head of the company you mean the president of each company?—A. The active head of the local company.

By Mr. Taylor:

Q. And where would you report to, Mr. Jones, as manager of the Ottawa Dairies here?—A. If I wanted information I would report to the chairman of the advisory committee.

Q. I see, in Montreal?—A. Mr. Conklin happens to be chairman of the advisory committee in the eastern section.

Q. Now, I have received some information I would like to have you verify, and as well to state whether it is correct, Mr. Jones. I have information that there was a telephone instruction came from New York to the Canadian office of Borden's Limited to clean the files of any evidence that might prove damaging in connection with this milk investigation. Now, in fact, the information says that the Canadian representative advised them to do this. Did you receive any information, or any telephone conversation?—A. None whatever, sir.

Q. Who would be the Canadian representative that would receive this information, in your opinion?—A. I have no idea, sir.

Q. You have not?—A. I could not say.

By Mr. Bertrand:

Q. Mr. Jones, you said a moment ago that you operated a farm as well as a dairy?—A. Pardon me, I did not say that I operated a farm.

Q. You said that the company you represent are operating a farm as well as a dairy in Ottawa?—A. Yes, sir.

Q. Have you a financial statement of the operations of that farm?—A. No, not in detail.

Q. Well, would you supply the committee with full information with respect to the cost of operations on that farm?—A. I could file that with the committee.

Q. Give the production of milk, the amount that you are selling as jersey milk or certified milk, and the amount of the production that is sold as nursery milk?—A. Yes, sir.

Q. Also, the price at which you sell this milk to the consumer and your cost of production on the farm; the amount at which you sell that milk to your subsidiary company—or however you carry on transactions between one another—giving all the details so that we can find out what it really cost from the operation standpoint. We want to know what the dairies are paying to the farm operation and also what the dairies are retailing this milk at to the consumer?—A. Yes, sir.

The CHAIRMAN: Mr. Jones said he didn't have it in detail, but he may have some figures which might be of interest to you now if you care to hear them.

By Mr. Bertrand:

Q. Have you got any figures to show that?—A. I am sorry to say that I have not.

Q. I thought so?—A. That is, not dealing with the results of the farm, the detail of the farm operation. I should say that we operate slightly over 800 acres and that we lost $8,871.48.

Q. By selling milk at how much per quart?—A. The nursery milk retails at 13 cents a quart and 7 cents a pint and the jersey at 14 cents a quart and 8 cents a pint.

Q. Is that the price allowed to the credit of the farm?—A. No, sir.

Q. How much of it is allowed to the credit of the farm?—A. We pay the farm the association price for milk that we use as nursery and jersey, plus 50 per cent (or one-half) of the difference between the retail selling price of regular milk and the retail selling price of the nursery and jersey.

Q. In other words, can you tell us how much per quart you are paying for certified milk and nursery milk?—A. I can't tell you off-hand, but I will submit that in the figures.

Q. Now, I understand that your firm has a farm of 800 acres?—A. Slightly over, yes.

Q. How many head of cattle have you on it?—A. Approximately 200.

Q. So that you have 800 acres, and 200 head of cattle milking?—A. No, they are not all milking.

Q. How many head of cows milking have you?—A. I will give you that.

Q. And taking all the herds into consideration your loss on operation of that farm last year was $8,000?—A. Nearly $9,000.

Q. Nearly $9,000, or in other words, a loss of $1,000 an acre, or to put it another way a loss of $40 on each head of cattle?—A. I can't say that, because I don't know the number.

Q. And I suppose in arriving at this loss on operation you are giving to the credit of the farm the association price that you are paying in Ottawa?—A. Yes, sir.

Q. And I suppose that you are giving them a certain quantity of surplus milk also?—A. We did for a while, but we are not now.

Q. How much surplus milk was there in 1932?—A. I can't remember that offhand.

Q. Will you supply the committee with that?—A. Yes.

Q. Now, in addition to that, I understand that you take off the spread, and supposing you claim that the milk is costing you about—A. Suppose we are selling milk at ten cents to-day, for our regular milk, and the price of nursery is 13 cents; that is a difference of three cents.

By the Chairman:

Q. In your Jersey?—A. No, sir, Jersey is 14 cents. Now, $1\frac{1}{2}$ cents of that would be paid to the credit of our farm in addition to the regular association price of $1.40.

By Mr. Bertrand:

Q. You said 50 per cent of the spread a moment ago, between the cost price and the selling price?—A. No, 50 per cent between the retail price for regular milk and the retail price for nursery milk.

Q. Nearly 50 per cent of this spread goes to the farm in addition to the association price paid?—A. Yes.

Q. When we have full information on that, I may have other questions on this. There is only one other thing that I might clear up, what is the cost of the can that you supply to the producer—the cost of one can, for instance?—A. Well, when this was made out it was $4,48 for an 8 gallon can.

Q. What is it at the present time?—A. I do no know if that is the present time or not. I think it is approximate. Would you like me to submit it?

Q. Have you got the information with you here?—A. I have not.

Q. If you have not got the information here, we will leave it at that. Now, you said you were charging $7\frac{1}{2}$ cents per trip for those cans to the farmer?—A. Yes.

Q. How many trips will one can make in its lifetime?—A. According to the information I have a can would last approximately five years.

Q. That is how many trips?—A. At 180 trips a year that would amount to 900 trips.

Q. Nine hundred trips at $7\frac{1}{2}$ cents. Consequently, the farmer is paying for the full use of a can and protecting you every way for interest charges and repairing the same and everything?—A. There are no interest charges. We gave that considerable thought and we think that that is a fair charge.

Q. Nine hundred trips for 5 years you said at 180 trips per year at $7\frac{1}{2}$ cents per month.

The CHAIRMAN: Let us get this right. That $7\frac{1}{2}$ cents means $7\frac{1}{2}$ cents per trip or per month, which.

The WITNESS: Per can per month.

Mr. BERTRAND: How many trips per month?

The WITNESS: That would be half the number of days in the month.

Mr. BERTRAND: Well, we will divide that by fifty-two.

The CHAIRMAN: It is practically 90 cents per year for the rental of a can.

By Mr. Dupuis:

Q. Have you got a report of the profits the parent company in New York is making?—A. No, sir; there is an annual statement published, but I have not got it with me.

Q. Offhand, you cannot tell. You do not know if the producer receives more for his milk in the United States than here?—A. I could not say.

Q. Could you produce that in your statement to the committee?—A. Just what would you like, sir? The average price paid?

Q. The annual statement of the parent company has been published you say; could you produce that in your statement?—A. I could include a copy of that, yes.

Q. You do not know what the difference between the price in the United States and here is?—A. No, I am sorry I could not give you that information.

By Mr. Bertrand:

Q. What is homogenized milk?—A. Milk that is passed through a homogenizer. The milk passes through a valve under pressure and the fat globules are broken up so evenly that they do not rise to the top as cream.

Q. Will the fact of homogenizing the milk give a bigger volume of milk?—A. I do not think so; not perceptibly in any case.

Q. Will it thicken it?—A. It does give it a slightly more vacuous appearance.

Q. For how much do you sell the homogenized milk?—A. The same price as the other.

Q. What is the object of selling homogenized milk?—A. Some people prefer it. The cream does not rise to the top of the bottle and every member of the household gets their fair share of the fat content of the milk.

Q. Do they believe there is more butterfat because it looks to be thicker?—A. I am not in a position to state that.

Q. We were told by one of the former witnesses giving evidence here that 10 per cent of homogenized cream, for instance, would look somewhat like 30 per cent of unhomogenized cream?—A. I heard him make that statement. I cannot agree with that.

Q. You do not agree?—A. No; but it does make it look richer.

Q. You agree that homogenizing milk makes it look thicker?—A. I would not say—

By Mr. Dupuis:

Q. Does it look like whipped cream?—A. No. I wish it did; but it tastes smoother.

By Mr. Bertrand:

Q. Are you prepared to say that it really does not increase the volume?

Mr. DUPUIS: He said yes.

Mr. BERTRAND: No, he did not.

The WITNESS: I have never done any work on it, and I have never seen any work done on it. I am not in a position to state.

By Mr. Bertrand:

Q. Are you selling the milk?—A. Yes.

Q. Who homogenizes it?—A. We do ourselves.

Q. I cannot understand—you said you have never seen this operation?—A. I did not say I had never seen this operation; I said I had never experimented to say if it does increase it. If it does, it is very slight, and the only way to know is actually to try it out. I am very doubtful—I am giving you my personal opinion—if it does increase the volume of the milk. On the other hand, I do not know; it might or it might not.

By the Chairman:

Q. Mr. Jones, when cream is homogenized will the test give an accurate result as to the butterfat content?—A. Not so well as when it is unhomogenized.

By Mr. Bertrand:

Q. Will it give it approximately?—A. I would prefer to have the mojonnier test on it—the chemical analysis.

By the Chairman:

Q. You can determine the exact butterfat of homogenized milk?—A. It is possible by other means with the ordinary mojonnier chemical tester.

By Mr. Bertrand:

Q. Mr. Jones, how did you start in the business to sell homogenized milk; at whose request? This question may seem somewhat peculiar, but may I explain that we are getting to the place where the farmer does not know whether this milk is sold to the consumer or not. There are so many classes that we do not know where we are at. I happen to be one of them?—A. To my knowledge the first time homogenized milk was sold commercially was in Ottawa by the Laurentian Dairy some few years ago. It had been sold several years ago—I forget the name of the company—the same name, the Laurentian, in the Maritimes and different parts of Canada, but that was a sterilized product, it was not the ordinary pasteurized homogenized milk that is being placed on the market to-day; but the first time I knew of it in Canada or in any other country was by the Laurentian Diary right here in Ottawa.

Q. Then apparently you are not aware that anybody asked for it?—A. I was not with the company when they started. I do not know whether the originators of that company were requested to produce it or not.

Q. It was a new product for a drawing card—homogenized milk?—A. I suppose it would be for sales argument.

Q. How much of that homogenized milk are you selling at the present time or in 1932?—A. I could not give you the exact figures, but I should think it would be approximately 20 to 25 per cent.

Q. Twenty-five per cent?—A. I would think 20 to 25 per cent, although I have not got the figures.

Q. Twenty-five per cent of the sales in 1932 would be homogenized milk?—A. Yes. I could give you those figures.

By Mr. Dupuis:

Q. Is it more expensive?—A. It costs slightly more.

Q. Do you sell it for a higher price?—A. No, sir; sell at the same price.

By Mr. Bertrand:

Q. Is this milk pasteurized?—A. Yes.

Q. And homogenized after?—A. No, pasteurized after homogenization.

Q. Well, homogenized and pasteurized?—A. Well, it is quite a point in the market milk business. It is an important point with us.

Q. Is there anything that goes in to help to homogenize that milk? Do you add any foreign product to the milk?—A. Absolutely nothing.

Q. It is only a machinery process?—A. It is just a question of dividing up the fat globules into finer portions.

Q. There are no powders that go in?—A. Absolutely none, sir.

Q. How many companies are selling homogenized milk in Ottawa?—A. I say four—four to my knowledge.

By Mr. Bouchard:

Q. Is it not a better food for the children?—A. There has been some work done on it, but not very extensive, and the work that has been done so far would indicate that the curd content of the milk is made slightly more digestible; but I do not think there has been sufficient research work done on it to really come out and make that statement.

Q. When it was first introduced the contention was that it was more digestible for the children because the fat globules being broken into pieces; well, that was one contention?—A. Theoretically, I think that is true.

Q. And the other was that it was homogenized with milk which is absolutely impossible to obtain in ordinary milk, because as soon as the milk keeps still for half an hour it becomes different at the top of the bottle?—A. Yes.

Q. What about the salts in milk; does it bring a better distribution of salt or minerals?—A. Yes, I think it would result in a better distribution of all the constituents of milk. I think it would do that.

Q. Is not pasteurization a partial homogenization?—A. I doubt very much with the present methods of pasteurization if the fat globules would be broken down; they may.

Q. But with the former method?—A. I am not so sure about that. I do not know of any work having been done on that. I would not think that pasteurization would affect the size of the fat globules to any extent.

By the Chairman:

Q. I was going to ask Mr. Jones a question or two. You made the statement in the beginning of your address that you had had considerable experience, Mr. Jones, in actual dairy farming and the manufacturing of dairy products and so on. So I take it that you are an all-around man so far as the dairy industry is concerned. Now, you inserted in your statement extracts from the Grigg report and also some expression of opinion from Mr. W. G. Marritt, the secretary of the Whole Milk Producers' Association. Your object in doing that, I take it, was to suggest that farmers or producers should become better organized?—A. I think it would be in the interests of the dairy industry as a whole, and particularly of the market milk industry, sir, if farmers were better organized.

Q. Have you read the Grigg report?—A. I have not in detail.

Q. You know something of the recommendations which they have made in regard to a central producers' board or a joint milk council for the regulation of the whole dairy industry?—A. I am not very familiar with that, sir.

Q. Would you be agreeable to such a milk council being formed with representatives of the producers' board and representatives of the dairies and a chairman and two other associates such as they have recommended?—A. Sir, I would like to give further thought before expressing my opinion on that.

Q. They have recommended that the appointed members of this organization should have actual control of the prices to the producers, the prices obtained by the distributors, and the spread, and all the factors entering into prices. You would not like to express an opinion on that?—A. No, sir.

Q. I cannot see why you should recommend that the farmers should become better organized unless you are prepared to suggest in what way they could be made better.

Mr. Pickel: Just to condole with each other.

By Mr. Dupuis:

Q. I want to put a question to the witness, but before that I want to know if the report you have just mentioned in regard to organization of the farmers, means that such organization would include the distribution of milk in such centres. If that is so, I would like to ask the witness if it would be more profitable to the farmers if they were so organized that they would sell their own milk in your stead in large centres. If you cannot answer that question, I am going to ask you a straight question; does this industry pay your company? —A. Does it pay to be in the industry?

Q. Yes?—A. Certainly. We could not continue in this business if it did not.

Q. If the farmers were so organized that they could buy your company would that pay them?—A. If they could operate it efficiently.

Q. I suppose that a man like you at the head office—

Mr. Mullins: Get the right man; they would get him.

By Mr. Dupuis:

Q. Have you the valuation of the Borden company—the Canadian Borden company?—A. The capitalization?

Q. Yes?—A. No, I have not. Mr. Thorne will answer any questions on the capital structure.

Q. You have not got the valuation of the company?—A. I could not give it to you.

Q. You do not know. If the farmers were so organized that they could come to your office and ask you how much you want for your company, you could not answer now?—A. No, sir.

By the Chairman:

Q. I would like to continue my questions. Is not this the fact, Mr. Jones, that there is more milk available for fluid milk purposes than can be disposed of in the cities?—A. That was the fact last summer, yes.

Q. Is it possible in your opinion for the farmers to organize to protect themselves so far as prices go against a surplus of that character?—A. I do not know how far they can go with their organization.

Q. You made the statement here that they should organize. Now, why should they organize further if it is impossible for them to carry their ideas into effect?—A. If the farmers had a 100 per cent membership in their association, or somewhere near that, they would certainly have much better control over the—

Q. Would that not involve other classes of milk as well as fluid milk—milk that had to be disposed of for butter and cheese purposes?—A. Well, that might be a factor.

Q. You see, the Grigg report advocates the pooling of all this milk in reality, some of it to be sold for fluid milk purposes and some of it be sold for butterfat purposes and cheese, along with other ways of disposing of it, and the prices realized to be pooled on an even basis among all the farmers?—A. For the whole Dominion?

Q. No. This is in Great Britain. Would you advocate some similar system here in Canada?—A. I hardly think it would be workable in Canada.

By Mr. McGillis:

Q. What would be your objections to it not being workable?—A. Well, if you were to have a common price for all the milk I know very well that the producers who have been used to shipping their milk to the market milk market would certainly be very much dissatisfied at getting the reduced value of their milk.

By the Chairman:

Q. The reason I am asking these questions, Mr. Jones, is because I believe you are a practical man and no doubt have given this some study, and this committee are anxious to get ideas from anybody and everybody as to the best way to handle this whole milk problem, and I thought you might have real concrete proposal to make to it. You would not care to hazard any opinion?—A. No, not at the moment.

By Mr. Dupuis:

Q. Mr. Jones, let us suppose that the farmers are so organized, 100 per cent membership or in the neighbourhood of that, and they say, "well, we are losing by that surplus of milk which the distributors charge against us;" suppose they are so organized that they go to the distributors like your company and say, "we want you to tell us the average quantity of milk you need day by day

with the percentage of overhead," so that the farmers could retain the balance of that surplus of milk and make butter and cheese in their own country factories; could you tell that? Would you be able to tell that to the organized farmers?—A. We could estimate fairly well what our requirements are.

Q. Oh, yes, you could. Well, I am glad; because I have seen witnesses that said they were not able to?—A. You could not hit it to the exact pound or hundred pounds, but you can estimate.

Q. You could tell, for instance, in a city like Ottawa or Montreal what quantity of milk you need for to-morrow morning, let us say?—A. Yes. We could do that.

Q. With the percentage over?—A. Yes.

By Mr. Wilson:

Q. You referred to the Ontario Milk Producers' Association and you referred to Mr. Marritt, the secretary. I do not think you mentioned Mr. Clarke, the president. Perhaps, you remember an article which they signed and published in the Ontario Milk Producers' Association which said—I could not give you the exact words—but something along these lines, "it is all right for the farmer to produce milk at a loss because he gets the benefit of a steady market." Now, would you subscribe to that? I asked that because he said he thought the association of farmers was a proper thing. Now, this is the Milk Producers' Association of Ontario, and they published that over a signed article by Mr. Clarke. Mr. Senn, the chairman, might give you the exact words.

Mr. PICKEL: Mr. Jones did subscribe to that, because they are losing $9,000 a year on their own farm.

By Mr. Wilson:

Q. I am coming to that. It is called "A Message to Milk Shippers":—

> Producers generally are backing up the association in very gratifying fashion. Shippers in some of the most disorganized districts heretofore, are co-operating with the association both financially and otherwise, in a way that should prove an example to producers who have derived substantial benefits from organization work in the past. There will always be those who look for the benefits of a strong organization without paying the cost of such benefits. A reliable market, a steady price, even if it is below the cost of production, is something well worth while. All producers share alike in these benefits and should pay their share.

Now, that is an article in the Ontario Milk Producer of January-February, 1933, signed by E. H. Clarke, president and W. G. Marritt, the secretary, to whom you referred when you spoke about the farmers having strong associations. Now, according to your evidence you are losing money on your own farm—your dairy farm?—A. Yes.

Q. Now, is it good advice to give to the milk producer that "a reliable market, a steady price even if it is below the cost of production, is something well worth while. All producers share alike in these benefits and should pay their share." How long could you continue to stand up and run your business if you only had the farm to get your profits from?—A. He has a peculiar way of expressing himself in that article.

Q. That is a signed article?—A. On the other hand, it is a matter of degree or relativity. They might be producing milk at a loss and even so with that market they might be getting more than they would if they sold their milk through other channels. It is the world's markets that determine the price, not just one specific situation.

Q. You admit yourself that you are making loss on your farm—a well conducted farm no doubt with everything supplied—perhaps much better than the average farmer. Now, how long can the farmers of Ontario last with the price of milk that the milk dairy companies are paying to-day?—A. Are any of them making money?—A. The farmers to-day?

Q. Yes, the dairy farmers?—A. Well, they are not making money.

Q. Are they making any money? You say you are not making it on your own well conducted farm?—A. That was for 1932. Those are not the figures for this year.

Q. How about this year; is it any better?—A. This year is better; and that is exactly what I was going to explain a moment ago. The reason it was so bad in 1932 was because of the situation to which I referred in my paper in Ottawa during the summer months. I pointed out the various factors that broke down the price and resulted in a low price. If you study the tables I presented, during the summer months the prices in Ottawa were relatively extremely low compared with former years which naturally reduced the income of our farm and every other farmer, and they certainly could not continue under those conditions.

Q. Of course, you have not come to the summer months of this year yet?—A. No. That is something we are not looking forward to, sir; and we are bending every effort to try and avoid a repetition in this year. As the Milk Producers' Association will probably suggest to you, we have both been giving that a lot of consideration and spent a lot of time on it.

Q. I asked you a straight question. Do you think the farmer is getting enough for his milk to-day?—A. Based on world market or cost of production?

Q. Based on cost of production to the average farmer in the province of Ontario?—A. No, sir; I do not think he is.

Q. Would you agree with the idea that it would be advisable if we had a milk control board to regulate the price paid to the producer and also to regulate the spread and the amount that the consumer should pay?—A. I have had no experience—

Q. What would be your opinion? Don't you think the producer of milk would benefit by such a board?—A. I have had no experience with these kind of boards. The only one I know of is the one that was appointed in Winnipeg, and I do not know how well it has worked. I have received reports that it has not worked any too well.

The Chairman: From whose standpoint?

Witness: I cannot base an opinion on something I do not know.

By Mr. Wilson:

Q. But you do admit that the farmer is not getting enough money for his milk?—A. Yes.

Q. And it would not be inadvisable if it is within the power of this committee—which it may not be because the province of Quebec has set up a board who, I know, are going to regulate the price, and the state of New York have done so—but the question is this, whether a public utility such as milk is—which is a public necessity anyway should be considered. I think the members of this committee are trying to see that the producer should get at least enough for his milk that would keep him on the farm instead of driving him off the farm?—A. Yes.

Q. You admit yourself your company could not exist if it had to exist on the profits you derive from dairy farming?—A. On the same conditions that were in existence last year, 1932.

Q. Never mind about that.—A. Exactly, it is 1932 I gave you the figures for.

By Mr. McGillis:

Q. How many years have you been operating this farm?—A. I cannot say; I have been associated with the company between four and five years.

Q. Was it an 800 acre farm all this time?—A. No; I think they have added to it from time to time. This was all before my time.

Q. In the years that you have been with it, has it been profitable?—A. Well, last year was the worst year. Prior years—

Mr. SPOTTON: Answer the question.

The WITNESS: What was the question?

By Mr. McGillis:

Q. I want to know the years that it has been profitably operating since 1925. What did the company make on it during the last four or five years in regard to profits, say since 1930, before conditions got as bad as they are now?—A. I am sorry sir, the reason I cannot say is not because I do not want to, but I will submit figures to the committee—I cannot just say. This year is better than last year. The previous year, I think we showed a slight loss the previous year, the year before that I cannot remember.

Q. Would you submit that?—A. I will, sir.

Q. Say for three or four years?—A. For the last five years.

By Mr. Tummon:

Q. Mr. Jones, just a question or two I overlooked. In the pasteurization of milk to what temperature Fahrenheit is the milk brought?—A. 144 degrees for 30 minutes, sir.

Q. When it is being pasteurized it is pasteurized under cover?—A. Yes. We pasteurize our milk in three heaters. It goes through a machine, through tubes, around which is circulated hot water to bring the temperature up. From there it goes to an automatic set of holding tanks and held there for 30 minutes, and then it goes from there to the cooler, and to the fillers and cappers.

Q. Can you say at what point Fahrenheit evaporation begins, we will say?

Mr. WILSON: It starts from zero.

By Mr. Tummon:

Q. Say, if it starts too rapidly?—A. No, I cannot answer that question.

Q. I do not imagine there is much evaporation?—A. I do not think there is; I do not think evaporation is very much.

The CHAIRMAN: Now Mr. Tummon, it is one o'clock; do you not think we had better adjourn now to meet again at half past three?

Mr. TUMMON: Yes.

Mr. SPOTTON: This witness will return?

The CHAIRMAN: Yes.

The Committee adjourned at 1.10 p.m. to meet again at 3.30 p.m.

AFTERNOON SITTING

The Committee resumed at 3.30 p.m.

The CHAIRMAN: When we closed at one o'clock the committee had not completed cross-examining Mr. Jones, but I understand that some of the members of the committee are anxious to be here while Mr. Thorne is on the stand, and with the consent of the committee, we shall call Mr. Thorne now, because those members to whom I refer want to get away shortly.

BENJAMIN HARRISON THORNE, called and sworn.

By the Chairman:

Q. What is your occupation?—A. Assistant Secretary-Treasurer, Ottawa Dairy Limited.

Q. Have you any statement to make?—A. No, sir.

By Mr. Bowman:

Q. Mr. Thorne, would you mind telling me when the Ottawa Dairy Limited was incorporated?—A. 1900.

Q. Was it at that time a subsidiary of the Borden Company?—A. No.

Q. When did it so become?—A. In January, January 1st, 1928.

Q. Was there any change in the capital structure of the company from 1900 down to the present time?—A. I believe there was, but I have not the breakdown of that. I did not go back prior to 1928. I have it from that time on.

Q. You have it from the 1st of January, 1928? Will you kindly tell me what the capital set up was at that time, January 1st, 1928?—A. $1,865,700 in issued stock.

Q. What kind of stock, Mr. Thorne?—A. $800,000 in common shares, 3,000—

Q. No par value?—A. $50 par; 3,600 in first preference 7 per cent cumulative stock, $50 par, and $1,062,100 in second preference 7 per cent $50 par stock.

Q. One million?—A. $1,062,100.

Q. What?—A. Second preference cumulative $50 par stock.

Q. Seven per cent?—A. Seven per cent.

Q. Unless I got your first figure incorrectly, that would not make up the total capital set up that you gave me.—A $1,865,700.

Q. Then you gave $800,000?—A. Yes.

Q. $50 par common.—A. Yes.

Q. 360,000?—A. No, 3,600.

Q. That would make the total. That stock was issued?—A. Yes.

Q. For what value at that time? Was it issued at that time? Do you know what the set up was, that is, in comparison with the set up previous to that?—A. When the Ottawa Dairy transferred over to the present Borden's Limited of Canada, there was no change at the moment in their capital stock, but in January or February, some time later on, after the first of the year, the first and second preference shares were all retired, dollar for dollar.

Q. What had they amounted to previous to that?—A. $1,065,700.

Q. That is the amount of the old preference shares was exactly the same as the first and second preference shares at present in existence?—A. Well, as of January first when the Ottawa Dairy sold out.

By the Chairman:

Q. What year, Mr. Thorne?—A. January, 1928. They merely redeemed the first and second preferences that were outstanding December 31, 1927.

By Mr. Bowman:

Q. Well now, how much?—A. $1,065,700.

Q. That is the same amount which is now outstanding?—A. No, that was all redeemed.

Q. It is redeemed?—A. It is all redeemed, during the first part of 1928.

Q. Then I possibly misunderstood you. You say as of January first, 1928 the figures that you just gave a moment ago represents the common and preference shares outstanding at that time?—A. On January first, yes.

Q. 1928. That was after the new set up?—A. That was before the new set up.

Q. Before the new set up?—A. Yes.

Q. Now, tell me what took place?—A. The first and second preference were redeemed some time after the first of January, 1928, to the extent of the entire amount that was outstanding on the first day of January, $1,065,700.

Q. These were redeemed and paid out?—A. These were redeemed and paid out.

Q. What was the new set up?—A. There was no change made until March 19, 1929, when—

Q. Just a moment now. Am I to understand this: that the first and second preferred, which you have given us the details of, amounting to $1,065,700 were redeemed in cash?—A. Yes.

Q. And that there was no stock issued to take the place of those first and second preference shares?—A. No.

Q. Consequently between January first 1928, and the date which you mentioned in 1929 there was outstanding only 800,000 common stock of the par value of $50?—A. That is right.

Q. What change took place in 1929?—A. March 19, there were 22,000 common shares issued of a par value of $50.

By the Chairman:

Q. 22,000?—A. 22,000 of the par value of $50, amounting to $1,100,000.

Q. These were preference shares?—A. These were common shares. They were issued in settlement of a loan made by Borden's Farm Products Limited, of Montreal.

By Mr. Bowman:

Q. That is the loan which had been made or obtained for the purpose of taking up the first and second preference shares?—A. Yes, that is right.

Q. Were there any further changes made in the capital set up?—A. In December, 1931, December 18, 1931, there were 6,300 shares of common stock cancelled, which represented Ottawa Dairy's investment in Cornwall Dairy Products Limited, and those were—

Q. Just a moment now. You will have to go a little slow because I have not had the advantage of seeing these figures. You say 63,000?—A. 6,300 common shares of the par value of $50, or $315,000, were cancelled.

Q. They were cancelled?—A. They were cancelled.

Q. That is of the $1,900,000 of common stock which up to that time was outstanding?—A. Yes.

Q. Now, you said something about Cornwall Dairy Limited.—A. That represented the investment which Ottawa Dairy Limited had in Cornwall Dairy Products Limited, of Cornwall, Ontario.

Q. Yes?—A. And they were turned over to Borden's Limited, which is the parent company in the Canadian group.

Q. It then became a separate entity?—A. Yes.

Q. Leaving in the Ottawa Dairy Limited, $1,900,000 less 315,000?—A. That is right,

Q. What was the next step?—A. In the same month of December, 1931, the par value of the remaining shares of common stock amounting to 31,700 were changed to $100 par value resulting in a remainder of 15,850 common stock shares of $100 par value.

Q. It did not change the capital structure any except as to the par value of the shares?—A. That is all.

Q. 1,585,000. At that time there would be outstanding then, 15,850 shares of the par value of $100?—A. That is right.

Q. What is the next step?—A. On December 29, 1931—

Q. What is the date again?—A. December 29, 1931, the assets and liabilities of the Laurentian Dairy were assumed, and 1,500 shares of a par value of $100 were issued in payment therefor.

By Mr. Pickel:

Q. How many?—A. 1,500.

By the Chairman:

Q. Extra shares?—A. Yes.

By Mr. Bowman:

Q. That is, the owners of the Laurentian Dairy accepted $150,000 in common stock of the Ottawa Dairy Limited in payment of the Laurentian Dairy?—A. Yes, that is right, which in turn passed to Borden's Limited.

Q. Which in turn passed to Borden's Limited?—A. Yes.

Q. Yes?—A. That brings us down to December 31, 1932, with an outstanding of 17,350 shares of a par value of $100 common stock valued at $1,735,000.

Q. What is the next step?—A. That is all.

Q. That is all; then I might summarize the situation by saying this, that the capital structure of the company from 1900 down to the present time, in so far as the Ottawa Dairy Limited is concerned, virtually remained the same? —A. Yes.

Q. With these minor changes, that is, Cornwall Dairy was taken out? —A. Yes.

Q. That 315,000, and Laurentian Dairy was added at 150,000?—A. That is right.

Q. This stock is just common stock in the company?—A. That is right.

Q. What is the correct incorporated name of the parent company?— A. Borden's Limited, Canada.

Q. Borden's Limited of Canada. Their head office is at Toronto?—A. At Toronto. They have a place of business in Montreal.

Q. And they exercise control over the different subsidiaries in Canada? —A. Yes.

Q. Have you a record of the dividends which have been paid on this stock, Mr. Thorne?—A. Ottawa Dairy, do you mean?

Q. Yes, the Ottawa Dairy.—A. Well, just since 1928; in redeeming the first and second preference in January of 1928, or February, whichever month it was, there was paid $19.247.05 which represented the one or two month's accrual in 1928 on first and second preference shares. Since then there have been no dividends paid.

Q. That is the preference shares; the full amount of the capital of the preference shares, plus accumulated interest was paid out in cash?—A. Yes.

Q. And you say there have been no dividends at all since 1928?—A. No dividends paid by the Ottawa Dairy.

Q. How is this stock held, how is the 17,350 shares held?—A. Outside of the qualifying shares for the Board of Directors, the remainder is held by Borden's Limited.

Q. Now, just of what interest, in a financial way, is the parent company to the subsidiary; that is, what contributions in the way of administration costs or so forth, does the subsidiary company pay to the parent company?—A. They pay a certain pro ratio of fees and director's salaries and wages, and one thing and another.

Q. Would you mind giving me just the details of that, since 1928 down? —A. I have not that; only for the year 1932.

Q. Would you mind giving me for 1932?—A. $5,318.70.

Q. The amount that you have just given, $5,318, for what services is that amount paid to the parent company?—A. Well, that represented the expense of maintaining the two offices, one in Toronto and one in Montreal, plus directors' fees, and presumably covered any good will which the Ottawa Dairy might derive from that company through its Board of Directors.

Q. And is that the only amount in any way whatsoever which is paid by the Ottawa Dairy Limited to the parent company?—A. That is the only money.

Q. During 1932?—A. That is all.

Q. What does your profit and loss account for 1932 show?—A. Profit of $93,961.36.

By the Chairman:

Q. Is that net profit?—A. That is net income, after interest received and income tax and a few other odds and ends.

Q. Does that include depreciation?—A. Including depreciation, yes.

By Mr. Bowman:

Q. That is for the year 1932?—A. That is right.

Q. For the year 1931, what would be the corresponding figure?—A. I have not that with me.

Q. Can you give me it approximately, Mr. Thorne?—A. No, I would not like to give it. It is much less than 1931 was, of course.

Q. You mean 1932 is less than 1931?—A. Yes.

Q. So that 1931 would be a more substantial amount than what you have given there, $93,961?—A. Yes.

Q. And 1930?—A. It would be larger still.

Q. It would be larger still?—A. Yes.

Q. That is, the profits in those years were greater than at the present time?—A. Yes.

Q. And in 1928, would you say that that would be still larger?—A. I would say so, yes.

Q. You will produce to the committee particulars of the profits during those years, will you, Mr. Thorne?—A. Yes.

Q. I presume your year ends with the calendar year?—A. December 31, yes.

Q. Now, take the year 1932, Mr. Thorne; what in that year, was the amount which was contributed by the subsidiaries to the parent company?—A. $5,318.

Q. No, 1932. Did I say 1932?—A. Yes.

Q. I am sorry, I meant 1931.—A. I have not that figure.

Q. Have you the figures for 1930?—A. No. Borden's Limited were not incorporated until January of 1931.

Q. Well, there would be a parent company prior to Borden's Limited; there would be some parent company.—A. There might have been. I would not be quite sure on that.

Q. The reason I asked you that was that I understood from the history of the capital structure which you gave here, that it was on January 1, 1928, that the Ottawa Dairy Limited became a subsidiary of Borden's.—A. I should have said the present Borden's Limited.

Q. Of the present Borden's Limited?—A. Because they were not incorporated until 1931.

Q. But prior to that they had been a subsidiary of the other Borden's, of another Boarden company?—A. Yes.

Q. Perhaps under a different name?—A. Yes.

Q. Now, the company has apparently been doing fairly well, I should judge, from the figures which you have given to us as the net profit. I suppose that would be a fair statement to make, would it?—A. Well, it would all depend on what you call a fair profit.

Q. As secretary treasurer of the company, what would you say?—A. Well, I would say that the last few years have been rather lean years.

Q. That is the last year?—A. Yes.

Q. And the other years were fair years?—A. Fair years, yes.

Q. What is done with these profits that you have referred to?—A. Merely allowed to accumulate in surplus.

Q. They are simply allowed to accumulate in the surplus?—A. Yes.

Q. Are they set up in the surplus account?—A. Yes.

Q. Have you got the particulars of the present surplus account?—A. Surplus, December 31, 1932, $1,070,843.03.

Q. So that after all, the mere statement that the company does not pay dividends, does not mean that the company is not operating at a profit?—A. Oh, no.

Q. As a matter of fact, the fact that they do not pay dividends really does not indicate anything with respect to the financial position of the company?—A. Merely means that the profits were at the control or disposal of the company.

Q. Whenever they liked to distribute them?—A. Yes.

Q. This amount which you have given to us, $1,070,843.03 is surplus which has accumulated over how many years?—A. That would be, I would say, since 1900.

Q. Are you in a position to say certainly as to that, Mr. Thorne?—A. Well, as of January 1, 1928, when the company was acquired by Borden's Limited, there was a certain amount of surplus came over with it at that time.

Q. What was the surplus at that time?—A. $325,081.67.

Q. Then subtracting the amount of the previous surplus, Mr. Thorne, from $1,070,843.03, the surplus which is outstanding or had accumulated on January 1, 1928, we would have—

The CHAIRMAN: How much?

By Mr. Bowman:

Q. We would have $745,761.36 as the surplus which has accumulated during the years 1928, 1929, 1930, 1931 and 1932?—A. That is correct.

Q. Speaking as a man familiar with the business conducted by the Ottawa Dairy Company Limited, you would not say that that was bad business, would you?—A. Not in the early years, no.

Q. Take it as a whole, the fact that during five years, the company had been able to build up a cash surplus amounting to three-quarters of a million dollars on a capitalization of $1,735,000, that would not indicate in the ordinary course of events, that the company was in a bad way, by any means?—A. No, I would not say so, not in the early years.

Q. I am taking the whole period as an average, that is an average on five years from 1928 down to 1932.—A. Yes. Bear in mind there was only $93,000 last year.

Q. Quite so. Then if it was only $93,000 last year, some year previous it was considerably more than $93,000.—A. That is so.

Q. As a matter of fact, during this period of years your company have been able to set up within a very few dollars of $150,000 a year to surplus?—A. On an average.

Q. Yes, on an average.—A. Yes.

Q. In other words, the figure on the capital investment— —A. I have that worked out, Mr. Bowman, if you would like it.

Q. Yes, would you mind giving it?—A. 3·34 per cent.

Q. 3·34 per cent?—A. For 1932.

Q. For 1932; but for the whole period—have you got that worked out, Mr. Thorne, for the whole period?—A. No.

Q. I can give it to you very roughly. It amounts to almost nine per cent, does it not? Would you mind giving me just a rough estimate yourself, so that I will get it on the record correctly?—A. I don't get nine per cent.

Q. You get between eight and nine; is that not correct?—A. Approximately.

Q. Eight per cent would be $138,800, and nine per cent would be $156,150, and the yearly average would be $149,000 odd. In other words it would be very close to 8½ per cent?—A. Approximately.

Mr. SPOTTON: Did the witness not say that they paid a dividend in 1928?

Mr. BOWMAN: No, no.

The WITNESS: Through the retirement of the first and second preference.

Mr. BOWMAN: All that was paid in 1928, as I understood from the witness, was the accumulated interest on the preference shares, which carried seven per cent.

Mr. SPOTTON: Yes.

Mr. BOWMAN: But not any further dividend than that.

By Mr. Bowman:

Q. Now, this amount that has been set up in the reserve, which you say for the five years has amounted to approximately three-quarters of a million dollars on a capital investment of $1,735,000, has been set up after allowing for depreciation?—A. Yes.

Q. And write-offs of different kinds?—A. Yes.

The CHAIRMAN: Might I suggest just there, Mr. Bowman, that I believe this company has built an entirely new plant. I wonder if the cost of the plant came out of their profits as well?

By Mr. Bowman:

Q. Would you mind giving the Chairman that answer.—A. That plant was erected or renovated there before 1928, not since.

The CHAIRMAN: I beg your pardon. I understood it was before.

By Mr. Bowman:

Q. Well, say it is prior to 1928, if the plant was renovated it apparently has been taken out of profits, has it not?—A. Yes. I might add at that point, Mr. Bowman, that Cornwall Dairy Products Limited buildings were erected during 1928 to 1930.

Q. So far as the capital structure of the company is concerned, when they were sold they disappeared from the picture?—A. Yes.

Q. Yes. I don't want to confuse the main view that we have of the capital structure of this particular company. Have you, in addition to the reserves which are really reserves set up from profits—have you any other reserves set up?—A. Reserve for fire insurance.

Q. For fire insurance; you carry your own insurance?—A. Yes.

Q. I suppose the reserve for that would be what the company would figure to be a reasonable amount?—A. Yes; cost less than to purchase premiums.

Q. That roughly amounts to what?—A. $7,612.43.

Q. That is continually added to each year?—A. Yes.

Q. That does not seem to me at all out of the way. What other reserve have you set up? Have you a reserve for bad debts?—A. Yes.

Q. What, at the end of 1932, was the reserve set up for bad debts?—A. $12,859.56.

Q. That is your total reserve carried forward to the end of 1932?—A. That is right.

Q. What, roughly speaking, do you set up annually for reserve for bad debts?—A. Provision at the rate of three-quarters of one per cent on all sales.

Q. Figuring on that basis, what would be the reserve set up for bad debts last year?—A. In 1932?

Q. Yes?—A. Approximately $3,630.

Q. I think, Mr. Chairman, that that probably would give us a source of comparison with some of the reserves that we had set up lately by some other companies in respect to bad debts.

The CHAIRMAN: Not later than yesterday.

WITNESS: Just a moment, Mr. Bowman, I gave you the wrong figure there. I should have said $11,550.

Mr. BOWMAN: And that is a total of how much?

The WITNESS: $1,462,000.

The CHAIRMAN: That may reflect on the prosperity of Ottawa in comparison with Montreal.

By Mr. Bowman:

Q. The total, in any event, is substantially less as a set up than we have had from certain other companies. Now, what reserve did you set up for depreciation? What is the reserve you have for depreciation at the end of 1932?—A. $921,693.05 as at December 31, 1932.

Q. Now, if I got your figure right, it was $921,693.05.—A. That was the balance in the reserve account December 31, 1932.

Q. For depreciation?—A. For depreciation.

Q. And what years did that cover?—A. That covers the accumulated amounts to date, from 1928 and prior.

Q. What was your reserve for depreciation for 1928, so we may have the comparison for the last five years?—A. I have not that figure.

Q. You can let us have that?—A. Yes.

Q. Have you any other reserves in addition to the ones I have mentioned?—A. No, that would be all.

Q. So that your reserves at the present time, I am just speaking about the two larger reserves—I do not include in my calculations reserve for insurance, or reserve for bad debts, which I think you approximate in the neighbourhood of $19,000 to $20,000.—A. You mean plus fire insurance?

Q. Plus fire insurance.—A. Yes.

Q. Taking these two into consideration, your reserve for depreciation, $921,693.05, plus your reserve set up from profits $745,761.36, at the present time approximates the capital of the company; that is, $1,735,000.—A. Practically, yes.

Q. One of the members of the committee has drawn my attention to the fact that I took into consideration only the reserves for the last five years, may I correct the record in that respect? The reserve set up out of profits is, as you have told us, $1,070,843.03.—A. Yes.

Q. The reserve for depreciation is $921,693.05?—A. That is right.

Q. So that the reserve for depreciation and for "taken up out of profits," more than equals the capital structure of the company?—A. By about $200,000.

Q. A little better than $200,000, is that not correct? In fact about $265,000?

The CHAIRMAN: Mr. Bowman, I would like to know on what basis that depreciation reserve was made?

By Mr. Bowman:

Q. I am trying to get at it, Mr. Chairman, so that we can all follow it with as little trouble as we can.—A. About $263,000, roughly that.

Q. Referring to a question which I gave a moment ago, were these figures before us the fact that the company has paid no dividends really means nothing insofar as one considering the position of the company from the financial viewpoint is concerned.—A. If you want to look at it in that light, yes.

Mr. SPOTTON: Was this stock sold locally, Mr. Bowman?

Mr. BOWMAN: That was explained by Mr. Thorne, in 1928 the company, that is the holding company, took over the whole capital stock of the company outside of the necessary shares that might be needed to qualify directors as such.

By Mr. Bowman:

Q. I am correct, am I not?—A. Yes.

Q. The Parent company acquired all the stock?—A. Yes.

Q. You are quite certain, Mr. Thorne, I don't question your statement at all, I just want to make sure, that you have told us of all the different reserve accounts which the company have?—A. Yes.

Q. During these years of 1928 to 1932, has the Ottawa Dairy Company Limited paid over any substantial sums of money to the parent company?—A. No, sir.

Q. You are quite sure of that?—A. Yes.

Q. That is, the accumulated profits have been allowed to remain in the Ottawa Dairy Company Limited without being distributed?—A. Yes, under their control.

Q. Under their control, outside of the charge for administration—acting as directors, and head offices expenses, and so forth?—A. Yes.

Q. Which, as you say, amounts to approximately $5,000 odd for 1932?—A. Yes.

Q. And I think you promised to let us have similar items for the years 1928 to 1932?—A. Yes.

Q. With respect to depreciation, on what basis do the company figure depreciation?—A. Mr. Jones gave that in his testimony this morning, I will repeat it if you like.

Q. If you wouldn't mind.—A. Building $2\frac{1}{4}$ per cent, to $3\frac{1}{4}$ per cent.

Q. Where is that information given?—A. In the second sheet.

Q. And on machinery and equipment?—A. Six per cent.

Q. Milk—I presume that means machinery and equipment which handles milk?—A. The pasteurizing plant.

Q. Yes, that is 6 per cent, is that correct?—A. That is right.

Q. Does your company figure that 6 per cent is a reasonable charge and will meet ordinary wear and tear, and so forth, and losses on machinery and equipment in the pasteurizing plant?—A. Well, they do on the average; it might not for one particular company, but it would for the group as a whole.

Q. That is what you figure?—A. Yes.

Q. From your experience in this connection, would you or would you not consider a smiliar charge of 15 per cent high?—A. I would consider it high.

Q. Would you consider it excessive in the ordinary course of events, from the experience of your group to date?—A. I would say yes.

Q. Machinery and equipment ice cream is 10 per cent; that is machinery and equipment which is used for the purpose of manufacturing ice cream?—A. Yes.

Q. The experience of your companies Mr. Thorne, would be that depreciation on this class of machinery is higher than it is on machinery handling milk,

pasteurizing milk and so forth, to the tune of four per cent?—A. Yes, for the reason that during the ice cream season in the summer time, it may work 24 hours a day.

Q. Yes. I understand that the rest of the figures which are set out in this paragraph were placed on the record this morning?—A. Yes, sir.

By the Chairman:

Q. How about that $3 a month charge on horses?—A. The $3 may be a little high, Mr. Chairman, but the Ottawa Dairy has always gone in for dapple grey horses which cost more than the ordinary run of horses, so we have to build up a little more to write them off.

Q. That is an average of $35 a year depreciation?—A. The average life of a horse is six years.

Q. Do they value the horse after depreciation, I think that is considered as well?—A. Yes, $25 maybe.

By Mr. Bowman:

Q. In any event, the total depreciation would not run into a very large amount at the rate of $3 per horse. How many horses have you?—A. One hundred and twenty-four.

Q. Well, it might run to a very substantial sum; what does it run into?—A. The year 1932 we had $6,370.50.

Q. And this $6,000 odd that you have just mentioned is included in the total reserve depreciation account which amounts to $921,000 odd?—A. Yes.

Q. Wagons and sleighs I see you figure at 10 per cent; automobiles at 25, 20 and 12½; that is 25 for the first year?—A. No, 25 per cent for passenger vehicles, light vehicles; 12½ reserve for a little heavier class of vehicle; and whatever the other is, 20 per cent, that is for another class of vehicle—lighter or a little heavier.

Q. Yes, I suppose you keep your plant up to what you consider 100 per cent?—A. Yes.

Q. And your equipment, etc.?—A. Yes.

Q. Since 1928, have there been any substantial repairs to the plant by way of installation of new machinery?—A. Well, there was an entire pasteurizing unit installed about three years ago.

Q. That is written off at the present time practically out of profits I presume?—A. We write off old equipment values, and set up new ones under capital.

Q. But the net result is that there is this $921,000 still in the depreciation reserve?—A. Yes.

By the Chairman:

Q. These replacements come from the depreciation account do they, are they deducted?—A. When that article of equipment is worn out it is removed from the depreciation account. When it is replaced it is set up entirely by itself, it becomes a new value in the assets account.

By Mr. Bowman:

Q. But the net balance to the credit of the depreciation account is the net balance after these other amounts are taken out?—A. Yes.

Q. In the first page here, which I think was placed before the committee very fully this morning, Mr. Thorne, but which I am just having an opportunity to look at, there is an item for salaries and wages amounting to $76,529.21; what portion of that approximately would be for salaries of staff?—A. Well, I haven't that separation, Mr. Bowman.

Q. I suppose you could let us know?—A. We can get that for the year 1932.

Q. You will let us have that for 1932 will you, and can you tell us approximately what would be for ordinary wages and what would be for staff?—A. Well, they are usually paid on a daily basis, maybe $3 per day.

Q. That is the wage scale?—A. Yes, and $3.50.

Q. And it is what proportion of the total amount?—A. I can't tell you that now.

Q. Of this charge that is made for salaries and wages is there any amount which is paid to an officer of the parent company for supervision, or any other duties performed for the subsidiary company, the Ottawa Dairy Company Ltd.?—A. No, not unless it is in connection with the installation of new machinery or equipment, requiring someone to come in from another city and supervise.

Q. Yes, take for instance your particular office—you are Secretary-Treasurer of the Ottawa Dairy Co. Ltd.?—A. Yes.

Q. Do you occupy any similar office in connection with any of the others of this group of companies?—A. I am regional accountant for Borden's Limited, Canada.

Q. You are regional accountant; you cover how many companies?—A. That covers eleven fluid milk companies, milk and ice cream companies, and four manufacturing companies.

Q. That is, fifteen in all?—A. Yes.

Q. How is your salary apportioned among these fifteen different companies; or is it apportioned?—A. It is not apportioned that way.

Q. How do you split it up with respect to these other companies?—A. The other companies don't receive any portion of my salary.

Q. Would they pay a portion of your salary?—A. No.

Q. Your salary then is not included in this item of $76,529.21?—A. No.

Q. Your salary—you are an official of the parent company, are paid by them?—A. To be frank with you, the Ottawa Dairy absorbs 75 per cent of my salary, and 25 per cent is absorbed by the Borden's Company in New York.

Q. I see, so that the other 14 companies in the group don't pay anything toward your salary at all?—A. That is right.

Q. There is a large item of expense there, $36,431; have you the details of that?—A. Only in so far as they are given on this particular company.

Q. This is just a more or less general description?—A. Yes, and the same is true of all the other classes.

Q. Have you the figures, Mr. Thorne, which would show us how the depreciation of $35,965 is made up? I presume it would be the depreciation on the different buildings, the plant and equipment, figured on a percentage basis which you told us about a few minutes ago?—A. Yes, figured on a square foot of floor space. Where a building is occupied by both the selling and delivery end and the pasteurizing plant, we measure the floor space and divide the depreciation.

Q. Now, this $35,965.49 which is set up for December 1932 is carried forward to the general purpose account, and eventually forms part of the $921,000, or whatever the amount may be?—A. Well, it is shown as a deduction from our property and plant assets, reducing the value of the assets.

Q. Reducing the value of the assets?—A. Yes.

Q. How does that get into your general depreciation account?—A. It is merely a charge account, it shows the total depreciation.

Q. There is a large amount there for commission $117,664; I presume that would be commissions in making sales?—A. To the route salesmen, yes.

Q. You do your business on a commission basis?—A. Yes.

Q. That was probably brought up by Mr. Tummon this morning, possibly Mr. Tummon who is more familiar with that end of it will get the details of that later. There is another item of expense $48,004.93, what is included in that?—

A. Well, that is also on page 2, Mr. Bowman, if you want me to read it there under selling expenses.

Q. That is stationery, postage, etc.?—A. That is right.

Q. Will you let us have the details of how that is taken up?—A. Well, the way we run our accounting, we have this general classification of charge to one standard order number. That would mean we would have to review the twelve months' disbursements to get it out; we would have to accumulate them all in order to get it, go over every one of these copies. It would mean a tremendous job but it can be done,—it would take quite a while.

Q. Do you know what was referred to in the item down the sheet that covers this item $48,004.39; they are all expense items, but which one is it? —A. Under selling and delivery, the second one.

Q. That is, stationery, postage, telegraph and telephone, travelling expenses, waste on routes, stable expense, horseshoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenance buildings and structures, machinery and equipment, harness and wagons, painting, and miscellaneous. Don't you carry separate accounts so that these are carried forward month by month?—A. No, each month stands on its own feet.

Q. That is what I say, each month stands on its own feet; you do keep a monthly record?—A. We charge that all to one standard order number. Now, to get all the items concerning what would be charged to that standing order number we would have to review the entire sheaf of copies for the year.

Q. Well, so far as I personally am concerned as one of the members of the committee it does not give me very much information just to see a general item of $48,000 for expense. If you could give us the information without too much trouble I think the committee would appreciate it.—A. I did pick out the cost of horse-shoeing as one item because I knew someone who was interested in that. That is the only one I have got in detail.

Q. The committee can decide just what information they want with respect to that item. Now, you have another item of the kind "selling expense $146,667.64?"—A. That is only ice cream selling expense and this is grouped in one total because it happens to be the way we carry our statement, and it, in turn, is broken down in the same caption as the other item of selling expense.

Q. Have you any details?—A. No more than the other milk expenses. We could get them out. It would be laborious, however.

Q. You will appreciate the fact that many of the members of the committee are not so familiar with the business as you are and would not be able to get much general information from a simple item of $146,667.64. Could you give us the details as to that?—A. We could break it down in a more or less rough manner if that would suffice.

Q. Will you do that?—A. Yes.

Q. With regard to the other item $48,004.93, would you give us the same information with regard to that? A little further down you have "bottle, box and can losses for the year 1932 at $28,358.53." Have you that amount broken up so that the committee will have the details?—A. Mr. Jones, I think, covered that this morning.

Q. I am sorry if he has.

The CHAIRMAN: Only the bottle end of it.

The WITNESS: That represents the value of bottles, boxes and cans which were lost during the year placed on an inventory at the end of the month.

Q. Probably you could give us details, or perhaps Mr. Jones can, as to how that item is broken up into the three groups, bottle, box and can losses. "Interest received $34,000." I presume that that is interest received from the investments of the various funds which are carried in this reserve account?—A. Plus bank accounts.

Q. That interest goes into the profit and loss account as a credit?—A. Yes.

Q. Roughly speaking, what are the investments of the Ottawa Dairy Limited in bonds, debentures and so forth at the end of 1932?—A. $491,932.74.

Q. Does that represent their total investments outside of plant, equipment and so forth?—A. It represents their marketable securities.

Q. That is their marketable securities?—A. Yes.

Q. Now, may I come back to a question which I have perhaps discussed before— I know I have discussed it before—that is the connection between the subsidiary which is the Ottawa Dairy Limited and the parent company. You say that during these years from 1928 down to 1932 no substantial sum of money in any way shape or form has been transferred or turned over to the parent company, saving an amount which you gave us for 1932 of $5,000 odd for part of the administrative costs?—A. Yes.

Q. That is correct?—A. That is correct. Whatever is there is within the control of the Ottawa Dairy Limited.

Q. And is carried in Ottawa Dairy Limited— —A. On the books; yes.

By the Chairman:

Q. Mr. Thorne, at the end of 1928 you tell me that you have a surplus of profits which were brought into the present company of $325,000 odd?—A. Yes.

Q. That was paid for in what way; by the issuing of common stock?—A. You mean—?

Q. That came in with the other assets of the Ottawa Dairy into the new organization?—A. Yes.

Q. How was it paid for?—A. I haven't the actual details of how that was paid for—you mean conversion of the business?

Q. Yes. You cannot tell how that was paid for?—A. I have not the actual figures with me.

Q. I am not altogether satisfied that you should give us your cumulative profits over the last thirty years, also your cumulative depreciated reserve, and you are not in a position to tell us how the capital set-up of the company has expanded from 1900 to 1928?—A. I just simply did not have those figures, that is all. I presumed you would only want to know from 1928 on.

Q. It affects the capital structure of the company and the amount of capital investment you are expected to pay dividends on some day, does it not?—A. As far as surplus is concerned, yes.

By Mr. Spotton:

Q. You have the books of the Ottawa Dairy company from their inception, of course, in your office?—A. Well, we have them for recent years. I do not know where the 1900 books are.

Q. What do you mean by recent years; how far back?—A. Say 1915, 1916 or somewhere like that.

Q. But have you not the records of the Ottawa Dairy Limited company, from the time of its incorporation in 1900 until now? You would have those in your office would you not?—A. It may be that they are somewhere. I would not swear.

Q. You just put your feet under the table in 1928 and carried on. There is nobody who would think of destroying any books since the incorporation of the company, is there?—A. They rewrite the general ledger every few years, you know.

Q. Now, Mr. Bowman and you were speaking of the parent company. By that you meant your head office in Toronto?—A. Yes.

Q. Where is your head office in Toronto located?—A. Spadina Crescent.

Q. In the City Dairy buildings?—A. Yes.

Q. That is your really head office for Canada?—A. Communications.

Q. Who is the manager in the city dairy?—A. My assistant is there, A. T. Pierson.

Q. Your assistant?—A. Yes.

Q. Are you the manager?—A. I am the regional accountant.

Q. It seems to be difficult to find out just where your head office is or what it is. The witness this morning I understood said that this was a separate entity here, the Ottawa Dairy, and you had not anything to do with any other company excepting this here, the Laurentian, and a couple around, yet, when the Montreal subsidiaries were heard one of them said that they reported to Ottawa?—A. That is because as regional accountant I gather all the financial statements each month.

Q. What is your head office in Canada? You spoke of that as your parent company. We will not talk of the grand-parent in New York; that is where the head of the octupus is—in New York—it has its tentacles reaching out and that is on Spadina Crescent. Then, of course, the claws go out from there. However, that is your head office there, a separate office from the City Dairy entirely?—A. Yes.

Q. Who is your general manager for Canada?—A. That authority vests in the board of directors.

Q. Well, the board of directors—if you have a head office here you surely have a general manager in your head office or somebody?—A. The board of directors, the executive staff—those are the sole managers.

Q. Your directors this morning are all the way from Ypsilanti to Kalamazoo, and they are not running the head office. Who is in the head office in Toronto? Who is general manager or secretary-treasurer? Who do you report to? Who does the Ottawa Dairy report to?—A. The list of executives of Borden's Limited were given you this morning, Mr. Spotton.

Q. I would be glad to have that again?—A. I believe I gave my copy to the clerk.

Q. I think the witness this morning said you had two offices, one in Toronto and one in Montreal. I would like to get the personnel of the head office of the Canadian Borden's Limited, Mr. Chairman. Where is that head office, and what is the personnel of that head office?—A. It is in the minutes of your meetings so far.

Q. The manager at the head office and the assistant manager and the secretary treasurer?—A. As far as I know, Mr. Spotton, there is no manager or assistant manager. The board of directors and the staff executive are the sole managers.

Q. Where do they meet?—A. They meet in Montreal.

Q. And the head office is in Toronto?—A. Yes.

Q. What have you? Just an office girl in Toronto or a caretaker?—A. No, a human being.

Q. I may be dumb, but I cannot understand a parent company with all these dairies, all subsidiaries, and you have a head office for Canada situated in Toronto. I would think it would be a fairly large sized office to take care of the business. Do you report everything to New York?—A. Usually, if there is anything of importance.

Q. No, but what I mean is do you send in a monthly statement as to how you are doing?—A. Yes.

Q. Who comes around here to give you instructions at the Ottawa Dairy?—A. Do you mean from the parent company or any parent company?

Q. Yes, the grandparent in New York?—A. If we are installing any particular pasteurizing equipment some expert will come along probably and give us the benefit of his advice.

Q. Now, the parent company in New York will have control of your reserve here, will it not?—A. Yes; through Borden's Limited.

Q. They have control of your company here and your surplus; they could lift it to-morrow if they wanted to and take it to New York?—A. If they desired.

Q. It would appear to me as though each one of these dairies is reporting to New York and managed from New York; and that your head office here, so far as Ontario is concerned, is largely a myth?—A. I would not say that.

Q. Now, take the case of the Metropolitan Life Insurance Company, they do business here and they have a head office in Canada to which all the other offices report, and that is the headquarters for Canada. Now, you have an office in Toronto but you have no general manager or secretary-treasurer. You do not report there monthly; you do not receive any instructions from there; so I cannot understand what kind of a head office it is?—A. According to the testimony there is a list of the officers and directors of Borden's Limited which includes a secretary-treasurer. Unfortunately, I gave my copy to the clerk this morning or I could read them off.

Q. With regard to those directors that were read this morning, many are in New York, some in Hamilton, some in Ottawa and some in Toronto. I would like to know the personnel of this head office of Borden's Limited in Canada because it seems we will have to go there to get some information.—A. Would you like the executive first—the board?

Q. Yes. Supposing I went into the head office next Saturday and asked for some information who would I see there?—A. You would probably see Mr. Pearson.

Q. He is your assistant?—A. My assistant.

Q. I would be a great deal better to stay and see you if you would interview me. If he is assistant manager you must be manager?—A. No, I am only regional accountant.

Q. Are you the directing head? Does New York look to you and other regional accountants? Do they just deal directly with you for your region?—A. Yes. As far as financial matters go.

Q. As far as financial matters go you are really the head office?—A. As far as financial matters go.

Q. You are the head office?—A. As regional accountant.

Q. And that takes in what you said before. You are the head office so far as financial matters go, and the so-called head office in Toronto is not functioning?—A. As far as financial matters relating to the accounting department go, yes.

Q. For your region?—A. Yes.

Q. There is really no head office. You are handling the financial end, which is the important thing?—A. No, the head office is in Toronto, the City Dairy Building, Spadina Crescent.

Q. Supposing you were called to Toronto, who would call you in? Is there anybody there who is your superior? Every man has a boss or chief. Who is your chief? Who do you report to?—A. I am at the beck and call of the board of directors of Borden's Limited.

Q. Who hired you? Who is the man that put his feet under the table and looked you over?—A. Do you mean 27 years ago?

Q. Who kept you hired or promoted you from time to time?—A. I started with the Borden's company 27 years ago.

Q. In the United States?—A. In the United States.

Q. Where?—A. 110 Hudson street, New York city.

Q. And they sent you to Canada?—A. In 1928.

Q. Right to Ottawa?—A. Yes.

Q. You came from the head office of New York to Ottawa?—A. At the then head office.

Q. You are the head office now. Under your hat is the head office. Wherever you are, you are the head office, financially speaking here. The financial organization is under your hat, where Lanagan carried his post office?—A. As far as accounting matters go.

Q. You said in financial matters?—A. Yes, in financial matters.

Q. If they wanted to move a half-million from one of these accounts to-morrow they would write to you to send them a cheque?—A. To take care of the details.

Q. You are the head office?

By Mr. Bowman:

Q. By permission of the committee, Mr. Chairman, there is probably one phase of the discussion of the financial capital structure of the company that I overlooked. Have you a memorandum, Mr. Thorne, that would show us the appraisals that have been placed upon the property of the company; that is, their real property and other personal property; their buildings and real estate, their machinery and so forth?—A. There was some made prior to 1928, but I have not the figures with me.

Q. Do you not keep that appraisal up to date, at the end of each year?—A. These results given you as far as values go are the result of those appraisals.

Q. What values? I have not had any figures with respect to values yet.—A. I can give you this.

Q. Would you mind giving it to the committee?—A. The property and plant cost values comprising real estate, machinery, delivery machinery, mechanical cabinets and furniture as at December 31, 1932, $2,420,440.32. That is the cost value before depreciation?

Q. That is the cost value before depreciation?—A. $2,420,440.30.

Q. That is the original cost less depreciation?—A. That is the cost values brought down to date, after any appraisals that may have taken place in prior years, prior to 1925.

Q. That is the total?—A. That is the total.

Q. Covering the real estate, buildings, equipment of dairy, and so forth, of the whole plant?—A. What is called property and plant, yes.

By the Chairman:

Q. Of the Ottawa Dairy?—A. Of the Ottawa Dairy.

Q. And Laurentian?—A. And Laurentian.

By Mr. Bowman:

Q. The Laurentian Dairy is not in those figures. The Laurentian Dairy is out of the picture altogether now, it has been sold?—A. The Laurentian Dairy? The Cornwall Dairy is sold, yes.

Q. The Laurentian is included. Quite so. In other words, it represents the value placed upon those incidentals that you have just enumerated in the company about which we are speaking?—A. Yes.

Q. The Ottawa Dairy, naturally, is in the Laurentian?—A. That is right.

Q. Just to clear up a point there. I have been taking it for granted that the statement you have given me here includes the whole company?—A. That is right.

Q. Includes the Laurentian as a part of the Ottawa Dairy Limited?—A. Yes.

By Mr. Pickel:

Q. These officials and directors of the company, Mr. Thorne, that you have given me, are officials of Borden's of Canada?—A. You refer to Borden's Limited?

Q. Borden's Limited.—A. Yes, that is right.

Q. Each subsidiary has not a board of directors?—A. Yes, each one operates under its own board.

Q. Each one operates independently?—A. Yes.

Q. Would you give me your officials in Ottawa again?

The CHAIRMAN: Of the Ottawa Dairy?

Mr. PICKEL: Yes.

The WITNESS: President, Hugh Carson; vice-president, W. F. Jones; treasurer, E. L. Noetzel; secretary, W. H. Rebman; assistant secretary-treasurer, E. H. Thorne, assistant treasurer, George Bittner.

By Mr. Pickel:

Q. They are all residents of Ottawa?—A. Mr. Noetzel, Mr. Rebman and Mr. Bittner reside in New York.

Q. You spoke about salaries, Mr. Thorne, would you just tell the committee what your salary is?—A. $4,250.50.

Q. Mr. Jones's?—A. $6,300.

Q. How much?—A. $6,300.

Q. What other salaries have you in connection with the plant at Ottawa? —A. You mean executive salaries?

Q. Yes.—A. Mr. Carson, $5,625.

Q. That is to whom?—A. Mr. Carson.

Q. He is the secretary?—A. President.

Q. Now, this accumulated surplus of nearly $2,000,000, what is to be done with that? What is the object in allowing that to lie there?—A. It was to be allowed to remain to be used in the business.

Q. That is approximately more than the value of your plant, or as much? —A. You mean, taking in all the calculations that Mr. Bowman referred to.

Q. What about income tax?—A. That is paid each year.

Q. What about the income on the surplus; how is that arranged?—A. What do you mean, "income on surplus"?

Q. On what you have invested, and so forth?—A. You mean interest received on investments?

Q. Yes; is that included in your income?—A. Yes.

Q. Your income return?—A. Yes, that is included.

By Mr. Spotton:

Q. Mr. Thorne, when you said your salary was $4,000 and something, you meant the Canadian end?—A. Yes.

Q. As you have one of your assistants getting more than you were; that would not be fair, would it?—A. What do you mean, my assistant?

Q. You are the general manager for Canada?—A. No.

Q. The company in New York looked to you, and you cannot get away from it. Now, no kidding, tell us who is the general manager, if you are not, for Canada. I presume the head office in New York, when it looks across the boundary line, looks to some one man as their representative, their super man. If they do not look to you—if you are not really the general manager, if not nominally, virtually you are the general manager—to whom do they look?—A. I never said I was general manager.

Q. You do not know who it is?—A. I said the board of directors, the executive of Borden's, Limited.

Q. There is no one of them that is manager?—A. No, sir.

Q. But you have a man that New York looks to?—A. I am the regional accountant.

Q. What is the object in not having a real head office not having one in Ontario and Quebec, and no real head office. Is there any interprovincial method of escape? What is the object in not having a head office?—A. Well, the interests of economy.

Q. I do not think it was economy not to have a good set up, not to have a real head office to manage all this. New York is really the head office?—A. Borden's Limited, so far as we are concerned, Borden's Limited are operating.

Q. We will just leave that, and when you sleep over it you will likely be back here again. Are there any of the directors of the Ottawa Dairy Limited before it was acquired by Borden's directors of the Ottawa Dairy now? Are they advisers?—A. Yes.

Q. Who are they?—A. Mr. Rothwell.

Q. He was a director of the old company?—A. Director and still chairman. Mr. Carson—

Q. Who?—A. Is still chairman of the board.

Q. Rothwell?—A. Benjamin Rothwell, Hugh Carson, Gordon C. Edwards, A. E. Prevost.

Q. That is right. Mr. Labarge?—A. Labarge, yes.

Q. He is still one?—A. Still a director.

Q. Because we will be asking about those. You have built up a set up of almost $2,000,000 of reserves in five years. You have done well since you have come to this country from the Borden company, notwithstanding the parent company have not paid any dividends. You say you cannot go back any farther than 1915 in regard to the Ottawa Dairy Limited.—A. Well, that would be—

Q. If we want to go back any farther to get information we will have to seek it elsewhere?—A. As far as the Ottawa Dairy is concerned.

Q. So far as the records in regard to the Ottawa Dairy Limited are concerned in your office, you have no information? If we want any further information you can only go back to 1915?—A. About that, about 1915.

Q. Because this has been a very profitable concern all along. I have it on pretty good authority that a man who had $1,000 stock in the Ottawa Dairy got as much as $250 a year on it, and that in the Laurentian Dairy, a man who had $15,000 invested, sold out for $85,000. Now, this may not be correct, but I believe it to be correct. We want to get back there. I have got this on very good authority, but you can only go back to 1915 so far as your office is concerned?—A. I would say that offhand, knowing the way records are mislaid.

Q. You will look and see how far you can go back, because we will have information from you, as no doubt we will be calling on others. I should like you to give me a letter of introduction to your head office in Toronto. I am going down to Toronto to-morrow, and my office is just a stone's throw from it. I know quite a few of the fellows down there, and I should like you to give me a letter of introduction to your general manager in your head office in Toronto.

By Mr. Mullins:

Q. Mr. Thorne, may I ask a question; I have got a letter here that has a clause in it in which I am somewhat interested. I would ask if there is any truth in it. You come from New York?—A. Yes.

Q. Originally?—A. Originally.

Q. I will just read you the clause; the other pertains to pasteurization. It reads:

> A few years ago when I was in New York city there was trouble between the milk dealers, someone used to appear on the roads leading into the city and stop and threaten the independent operators and turn many of them back. They also threatened the storekeepers who sold

the milk of those independent operators. A down-and-out taxi driver was arrested, who was suspected, and although this man appeared to be almost penniless, it was found that he was employed by the big dairies and instead of being penniless he had a slush fund of $500,000 supplied him by a combination of the big dairies. His business was to stop the independent operators at any cost and keep out of jail. This man was arrested fifty-five times in the last five years but never was convicted. This man was the late Larry Fay, killed a few months ago by a bullet from the gun of another racketeer.

The CHAIRMAN: I think you should file that letter, if you are reading from it.

Mr. TUMMON: Is this the letter he was hunting for this morning and could not find, I wonder?

Mr. MULLINS:

One of the big New York dairies who was accused as being in this racket now owns a chain of large dairies across Canada and our government will do well to see that they do not get too much of a foothold and use some unfair methods in this country.

Milk is a vital necessity of life and there should be allowed full and free competition and the sale of pure milk direct from the cow for those that wish it that way and cannot afford to pay for the frills.

The duty of the government should be to see that the producer be always allowed to sell good, pure milk when and to whom he wishes and also to see that no restraint be offered to a full and abundant supply for use by the general public.

This man signs his name. He was evidently in New York at that time. That is the clause at the end of the letter. Do you know anything about that? -A. Not a thing.

Q. I am just reading the end of the letter. He signs his name here. You can get his name.

Mr. TUMMON: To whom is it addressed?

Mr. MULLINS: It is addressed to the agriculture committee, in my care. This belongs to the Chairman; it is not for me, but it was addressed to me. It is addressed "c/o Col. H. A. Mullins."

The CHAIRMAN: Is that the letter you have been hunting for the last two weeks?

Mr. MULLINS: Yes.

Mr. TUMMON: I am very much interested in that letter being found, because both the Chairman and the Clerk of the Committee accused me of having that letter. Now that it has turned up—

Mr. MULLINS: The clerk has explained that we were looking for the wrong letter. I have two or three letters and this is one. This gentleman comes from Perth. His name is Murphy. If this belongs to the Chairman, I had better leave the letter here, because it refers to a chain of dairies that are getting a hold in Canada.

By Mr. Mullins:

Q. If they are getting any hold in Canada, and anything like that is going on, then in the interest of the farmers of this country, who ought to know it?—A. I think the name of the Borden company is sufficient answer to that.

Mr. THOMPSON: Where is he?

Mr. MULLINS: He is in Ottawa; he might be in the room, for all I know.

Mr. THOMPSON: Mr. Mullins said this man came from Perth. I am pretty well acquainted with all the dairy men in the Perth district, and I know nothing of it; I know this, that his address is given as Ottawa.

Mr. MULLINS: No, he signs it as Perth.

Mr. THOMPSON: No, Ottawa.

The CHAIRMAN: I think we are getting away from the line of discussion. Let us get back to it.

Mr. BOWMAN: I think, Mr. Chairman, apropos of your remarks, that the thanks of this committee are really due to Mr. Thorne for the very able and clear statement which he gave to us.

Some hon. MEMBERS: Hear, hear.

Mr. WILSON: The best statement we have had yet.

By Mr. Bowman:

Q. In connection with the Laurentian Dairy, you said, if I remember correctly, that $150,000 worth of stock of the Ottawa Dairy was issued in payment of the assets of Laurentian Dairy?—A. And liabilities.

Q. And liabilities as well?—A. Yes.

Q. At what time was that deal consummated?—A. December 29, 1931.

Q. Have you any record which would show what was the market value of the Ottawa Dairy stock at that time?—A. The market value—none offered for sale.

Q. None offered for sale?—A. No.

Q. It is not quoted on the market?—A. Not quoted on the market.

Q. Do you know anything with respect to the financial or the capital structure or the capital set-up of the Laurentian Dairy at the time it was turned over by the Ottawa Dairy?—A. That is available. I have not it with me.

Q. You have not that with you?—A. No.

Q. Would you mind filing a little later, when you have time, with the secretary of the committee, the details as to the financial structure of the Laurentian Dairy at the time it was turned over by your dairy, by the Ottawa Dairy?—A. That is in December, 1931?

Q. Yes.—A. Yes.

Q. While there is no market value for Ottawa Dairy Limited because there is no stock available, the market value from the figures which you have given us, would be substantially in excess of $100 par value?—A. Yes.

Q. As a matter of fact, if you just take the surplus plus the capital structure, it would be at least 100 per cent more than the original par value of $100?—A. Yes, practically.

By the Chairman:

Q. Mr. Thorne, the preference stock which was settled for, amounted to $1,065,700 you said?—A. Yes, first and second preference.

Q. And when that was settled for, that constituted the consideration for which Ottawa Dairy passed into the hands of the new company?—A. I have not the figures on that, Mr. Chairman; I have not the consideration.

Mr. BOWMAN: What was your question? I would like to hear it.

The CHAIRMAN: I asked him if the settlement for those preference shares, amounting in all at their par value, to $1,065,700 constituted the consideration for which the one company passed into the hands of the other.

The WITNESS: I could say this, though, that Borden Farm Products Company Limited loaned the Ottawa Dairy $1,100,000 for the redemption of those shares, and Ottawa Dairy paid for that by the issuance of 22,000 common shares for the same amount of money on March 19, 1929. I can answer it that way.

By the Chairman:

Q. What I wanted to get at was this; you had, I understand, a surplus of profits of $325,000 odd at the beginning of 1928 when the company was handed over?—A. Yes.

Q. At the present time I suppose that is the invested and drawing interest?—A. Along with the other items, making up $1,070,000.

Q. And at the time Mr. Bowman was computing the percentage of the profits you have made in the past five years, he was also computing that on this $325,000?—A. Yes, on total surplus.

Mr. BOWMAN: I think that is a very important question that you have asked, Mr. Chairman.

By Mr. Bowman:

Q. What did the Borden Company give for the Ottawa Dairy Limited at the time you took it over in 1928?—A. I will have to prepare that.

Q. You will let us have that?—A. Yes. I have not that with me.

The CHAIRMAN: It affects the whole question.

Mr. BOWMAN: It affects the whole set-up of the company.

The CHAIRMAN: The set-up of the company, and as well the dividend rates that could be paid.

Mr. BOWMAN: Quite so.

By Mr. Pickel:

Q. Can you tell us the capitalization of the parent Borden company?—A. That was issued under letters patent, granted by the Dominion government, for an authorized capital of 500,000 shares having an aggregate value of $25,000,000; just how much was issued I do not know.

Q. Of $25,000,000?—A. Was authorized for Canadian Borden's Limited.

Q. What is the issue in the United States, what is the capital there?—A. I am not familiar with that. We have promised to submit a copy of the financial statement for 1932, which will disclose that.

Q. That would figure out about $65,000,000?

By Mr. Bertrand:

Q. I understand that the Borden Dairies bought the Cornwall Dairy about five years ago?—A. The Ottawa Dairy invested some of its profits in the building and structures which now comprise, or did comprise, Cornwall Dairy Products Limited.

Q. What was the amount invested?—A. $315,000.

Q. That was invested on what date?—A. Well, during the period 1928 up to 1930.

Q. And then that was sold again?—A. That was turned over to Borden's Limited as a holding company.

Q. For what consideration?—A. Stock.

Q. Of what value?—A. There were 6,300 shares of the capital stock of the Ottawa Dairy sold, representing $315,000 and turned over to Borden's Limited. It was merely a transfer of the assets and liabilities of the capital stock from Ottawa Dairy to Borden's Limited.

Q. But you can't say what constituted the value of that payment?—A. That is the value, 6,300 shares at $50 par.

Q. 6,300 shares at $50, which was really worth, according to the statement you made a moment ago, about $100.—A. No, $315,000.

Q. That would be at par value, but they are worth more than par?—A. I didn't say that.

Q. Well, how much?—A. This is in December, 1931, that this transfer was made. The Ottawa Dairy invested $315,000 in the Cornwall Dairy Products Limited, and on December 18, they transferred that whole investment to Borden's Limited, through the cancellation of 6,300 shares of stock of a par value of $50, or $315,000.

Q. Through the cancellation of 6,300 shares?—A. Yes, merely a transfer of assets and liabilities.

Q. You claim that it was pretty much of a book transaction, was it?—A. It merely transferred the investment, that was all.

Q. Will you have any idea, Mr. Thorne, as to what in the general capital structure in the parent company the Ottawa Dairy Limited would be valued at? What have its assets been set at?—A. I don't know that.

Q. You will have to have an official from the head office to give that information?—A. That would have to come from the New York office.

Q. What is the general plan with respect to the parent company insofar as this holding in these other companies are concerned; by that I mean this, you have for the Ottawa Dairy Limited, transferred assets valued at a certain amount of money, and the parent company control the company by holding its stock?—A. Yes.

Q. Now, do they for that stock which they hold, issue certain other stock in the parent company and sell that to the public?—A. No.

Q. What do they do?—A. The Borden Company of New York—

Q. It is the holding company, you state?—A. Yes, the holding company.

Q. Do they not issue stock in the parent company, that is the holding company, to cover the value of the Ottawa Dairy Limited, and its assets?—A. And dispose of it, you mean?

Q. And dispose of it, yes. Borden's shares are quoted on the New York stock exchange, are they not?—A. Yes, but so far as I know they are simply bought and sold between private holders, just the same as any other stock.

Q. The sale of the stock is in the hands of the public to a very large extent, and I was asking you if you could tell us whether these shares are issued upon the value of the assets of the different subsidiary companies?—A. I am not posted as to what they may have issued in recent years. I cannot tell you.

Q. You would not know, for instance, what number of shares the parent company issued to cover the value of their holdings in Ottawa Dairy Limited? —A. I could only refer you to their annual reports, which are issued yearly.

Q. That of course, would not show us anything with respect to subsidiaries? —A. No, merely the total.

By Mr. Spotton:

Q. I think this morning the former witness gave us after consulting you, the names of the different subsidiary Borden concerns in Canada?—A. Yes.

Q. They are located all in Ontario and Quebec?—A. Yes.

Q. Well, are you regional accountant for the whole thing?—A. Yes.

Q. And the parent company in Toronto is capitalized at $25,000,000?— A. Authorized capital, $25,000,000.

Q. When you go fishing, or hunting, and want to find the head office, they don't know where to get it, do they?— A. I wouldn't say that.

Q. We will leave that alone, but I want to get some more information, that is all. Now, would you tell us how much money in gold or other currency or any way whatever—how much money you have shipped to New York since you came over here in 1928 from all these companies?—A. I have already answered that.

Q. Well, even if you have, would you answer it again?—A. Nil.

Q. Nil, but it is on call; it is here on call.—A. Yes.

Q. Thank you Mr. Thorne.

The CHAIRMAN: We will now recall Mr. Jones.

Mr. JONES recalled.

By Mr. Tummon:

Q. Mr. Jones, there are just a few questions I would like to ask before we adjourn. This morning I think you said that your surplus milk, what you call surplus milk, amounted to 13· something, I think—I haven't the figures.—A. 13·4 per cent.

Q. Will you just tell the committee how you arrive at that quantity, what is surplus milk?—A. First of all, we take our requirements for our street sale, we take what our sales are for the month, and we add 5 per cent to that figure, and we say we will purchase that much from our shipper.

By the Chairman:

Q. That is at the association price?—A. That is right, 5 per cent over our sales.

By Mr. Tummon:

Q. That is, 5 per cent of your sales for the previous month?—A. Yes, for the month in which we are dealing.

Q. That is, you base your sales, or the purchases from the producers, on the amount of your street sales during the month preceding, plus 5 per cent?—A. Plus 5 per cent.

Q. That is for the month previous?—A. Well, the cheque is paid for that same month. For instance, if we take the milk we received for the month of March, at the end of March we total our sales and add 5 per cent to that figure, and buy that amount of milk from our producers. Well, then we calculate our requirements for sweet cream; we take our sweet cream sales and add 5 per cent on that, and we find out how much milk we will require for that purpose. We determine what percentage that is of the street sales of milk and we buy that percentage from our farmers, according to the street sales of milk. We add 5 per cent more than we require of milk at sweet cream prices, and the balance of it is paid for at surplus milk prices.

Q. Perhaps I will put it in this way; you do not know at the end of each month practically what your surplus is for the month?—A. Only approximately.

Q. Would it be safe to say that all milk other than what is pasteurized or sold in bottles and sold for sweet cream is surplus milk?—A. I do not get just what you mean, Mr. Tummon.

Q. All your milk sold is not pasteurized?—A. Yes, it is all pasteurized. I am sorry I mislead you this morning on that. All the milk sold is pasteurized.

Q. You do not sell certified milk?—A. No, sir.

Q. All your street sales are pasteurized milk?—A. Yes.

Q. Even the jersey milk and nursery milk?—A. Yes. I heard later that you misunderstood me on that.

Q. Would it be safe to say that all milk that you receive during the month not pasteurized would be surplus milk?—A. Well, all the milk we receive is not pasteurized; it is unpasteurized.

Q. But you pasteurize it before you sell it?—A. Yes.

By Mr. Bouchard:

Q. Do you pasteurize the surplus milk too?—A. The surplus milk may go into butter or ice cream.

Q. It is not pasteurized?

Mr. PICKEL: Or sweet cream.

The WITNESS: No surplus milk goes into sweet cream. That is, for our sweet cream sales. We may make it for our sweet cream before we use it in the ice cream or before we churn, but no surplus milk is put into our sweet cream sales. As a matter of fact, as I said this morning, we purchase, I think the figure was 13·4—I do not remember correctly. The point I wished to bring out was this that we used 66 per cent of the milk which we bought at association prices for our sweet cream sales.

Mr. PICKEL: What is the percentage?

The WITNESS: Sixty-six. 66 per cent of our requirements for sweet cream sales was paid for at the association price.

By Mr. Tummon:

Q. What I am not sure on is exactly how you draw the line between what is association price milk and what is surplus milk?—A. The association price milk is the milk that we use for our sales of fluid milk whether they be retail or wholesale or bulk.

Mr. PICKEL: Or sweet cream.

The WITNESS: No. That is paid for at sweet cream prices.

By Mr. Tummon:

Q. Your association milk, you say, is all that is sold in street trade or sold for street trade?—A. We call it street sales. It includes bulk, wholesale, hospitals, or our sales of milk to the public.

Q. That is all pasteurized?—A. Yes.

Q. Now, would it be safe to say that all milk received by you and not pasteurized would be surplus milk?—A. All milk received by us?

Q. I am trying to get at the dividing line between the association price and the surplus?—A. As a matter of fact, all our milk is pasturized.

Q. I know, for street sales?—A. And also for making butter and ice cream.

Q. But what goes into butter and ice cream, as I understand it, was not paid for at association price?—A. No, sir.

Q. Or part of it was?—A. For our sweet cream sales; 66 per cent of our requirements for sweet cream sales was paid for at association price.

Q. Was it bought as sweet cream?—A. We do not buy any cream. We buy it all in the form of fluid milk.

Q. And separate it yourself?—A. Yes and separate it ourselves.

By the Chairman:

Q. You have three prices for milk; one for association milk, one for sweet cream or for milk that is used for sweet cream and one for surplus?—A. Yes.

By Mr. Tummon:

Q. I wish—I do not want to press you—I wish you could just let the committee understand a little clearer—perhaps I am not making myself clear to you—I would like to know just how you arrive at what amount of the milk you received during the month was surplus. I presume that you attempt to keep your surplus milk down as well as you can?—A. I do not know that I could explain that without repeating myself. This is the way we pay for our milk, and this is the way that this table is made up. On the prices that we pay for that milk we take our sales, our total sales of fluid milk.

Q. Yes. Your total sales of fluid milk. That is all at association price; that is not surplus?—A. We buy 5 per cent more than we require at association price. Then we find out what our requirements of milk are for our sweet cream sales. We total our sweet cream sales and add 5 per cent onto that figure and we buy that much milk at the sweet cream price.

Q. I see.—A. Now, the balance—the difference between that and the total amount of milk received which amounted to 13·4 per cent for the year 1932 was paid for at surplus price.

By Mr. Bouchard:

Q. Are your shippers of milk notified of the quantity that you expect from each of them?—A. No. We take all the milk they have to deliver.

By Mr. Tummon:

Q. The shipper does not know until the end of the month how much surplus milk he had?—A. Not exactly, no. If our sales fluctuate that figure fluctuates.

By Mr. Bouchard:

Q. It is apportioned?—A. It is apportioned pro rata amongst our shippers.

By Mr. Tummon:

Q. No matter whether they are long term shippers or short term shippers? —A. No.

By Mr. Bouchard:

Q. No matter if they are regular shippers it is always the same quantity? —A. Probably the regular shipper would have a higher contract than the others, so he would benefit in that way.

By Mr. Tummon:

Q. Then you have no shippers, if there is a surplus next month, who are not paid a certain amount of surplus?—A. Unless they ship below their contract. If they are below the figure which we determine is their proportion of milk at the association price then they would have no surplus; but that is not likely these days.

By Mr. Bouchard:

Q. They have no control over your surplus milk; you determine that yourselves?—A. The street sales and the sweet cream sales determine the amount of surplus milk.

By Mr. Tummon:

Q. Do you make contracts with your shippers?—A. We have a form of a contract; it is not a written or even a verbal contract; but we have a contract for each shipper. Formerly, prior to 1929, that contract was based on the average of the three months, October, November and December, for all the milk shipped in by our shippers, and the average of those three formed the contract for the coming year, but in 1929 we studied the situation and we found that our receipts of contract milk were getting so high in relation to our sales that we did not follow that procedure beyond 1929, and most of our shippers are still working on the 1929 contract. We made exceptions in some cases. Supposing a man had contagious abortion in his herd in 1929 when that last contract was made, we did not think it was fair to penalize him, and carried him along at that contract; and we have, in some cases, increased a man's contract.

Q. After he had cleaned up that trouble?—A. Yes; when he was cleaned up and producing his normal flow of milk.

Q. Now, Mr. Jones, I presume that you sell to stores too?—A. Yes.

Q. You send out to stores a certain amount of milk. Have you any returns coming back, bottles?—A. Yes, we have some returns from the stores.

Q. What do you do with them?—A. We may separate it and make it into butter.

Q. Is that milk in the surplus milk?—A. Well, that would be covered by the 5 per cent. As a matter of fact, in 1932 we purchased quite a large percentage of milk at association price above our street sales requirement. I included that figure in my statement this morning.

By Mr. Bouchard:

Q. Have you a copy of the invoice to the shippers, a milk bill?—A. I think it was around 17 per cent, Mr. Tummon, I am not sure of that, but you will see it in my statement.

By Mr. Tummon:

Q. Have you with you, or can you furnish me with the average number of shippers you have?—A. 222.

Q. In 1932?—A. 222.

Q. 222 producers that are shipping to you?—A. 220 at the moment.

Q. Would that be a fair average over the years to 1928?—A. No, we had more shippers; we used to have more.

Q. You do not recall how many? What was the average number of shippers you had in 1928?—A. Probably about—this is from memory—I would think about 245.

Q. In 1929?—A. I cannot give you those figures by years; I can submit that.

Q. Will you do that?—A. Yes, certainly.

Q. 1929, 1930, 1931— —A. From 1928 on, the number of shippers.

By Mr. Pickel:

Q. Mr. Jones, what amount of milk do you handle?—A. The figures are given.

Q. Is that already filed?—A. That is already filed, sir.

Q. What is the selling price of milk in Ottawa?—A. In Ottawa to-day?

Q. Yes.—A. Ten cents a quart, six cents a pint, three cents a half pint.

Q. For cream?—A. For cream?

Q. For cream.—A. Ten cents for half a pint of cereal.

Q. What percentage is that?—A. That is ten per cent.

Q. The next grade?—A. Fifteen cents for half a pint of table, testing from 20 to 22 per cent.

Q. The next grade?—A. Twenty cents for half pint for whipping cream, testing from 30 to 32, that is per half pint.

Q. Now, the price for cereal, table and whipping cream are as follows: 20, 30 and 40 for pints, for quarts, 40, 50 and 60.

By Mr. Bouchard:

Q. You do not mind if I ask the witness this question. Have you any agreement with other companies, similar companies, as to the percentage of fat in your cereal cream? I think we were told previously it was 12 per cent. I think Mr. Gamble told us it was 12 per cent in what he called cereal cream. Is there any agreement when we buy cereal cream whereby there is a determined percentage or a minimum, at least, of cream?—A. It is generally understood that cereal cream should contain approximately 10 per cent, not less than 10 per cent. I think it is on the cap, as a matter of fact, the fat content of the bottle.

Q. On the cap?—A. I think it is on the cap.

By Mr. Pickel:

Q. What percentage of your total milk do you separate?—A. Well, I can give you the figures that we separate; I have not got it worked out in percentages.

Q. What are the figures?—A. A total of 2,880,575 pounds.

Q. Is that the total received?—A. That is the total separated.

Q. How much is the total received?—A. Our total milk received 29,533,673.

Q. What is your buying price for milk at the present time, association price?—A. $1.40, f.o.b. farm.

Q. Surplus?—A. Sweet cream? Now, I have not got those figures here. I think last month we paid 24 cents per pound fat.

Q. What would that amount by the hundred, approximately?—A. The average test of our milk for 1932 was 3·565, 24 times that 85·56.

Q. That is for sweet cream?—A. Sweet cream.

Q. Surplus?—A. f.o.b. the farm.

By Mr. Bouchard:

Q. How does it compare with the price of butter fat if it were turned into butter, how many pounds?—A. I do not know what the price of butter is, but I have a comparative set of figures for 1932. I can give you those, if you like, to see the comparison.

Q. Yes.—A. Would you like those?

Q. Yes.

By Mr. Pickel:

Q. What is your price for surplus milk?—A. Twenty-two cents at the present time.

Q. Twenty-two cents?—A. We are speaking of—

By the Chairman:

Q. Per pound butter fat?—A. Yes. I am speaking from memory. I have not those figures here, but I can give you those figures for 1932 on the same fat content of milk, which will amount to 78·43.

By Mr. Pickel:

Q. 78?—A. 78·43.

Q. Now Mr. Jones, why should the farmer be penalized in the sweet cream trade as regards association milk? Do you not make more on the sweet cream business than you do on the whole milk?—A. The profit per unit is greater, but there are certain added costs in the manufacture of sweet cream that we do not have on milk. We have to separate it, for one thing, and the returns on sweet cream are much heavier than they are on milk, as a matter of fact.

Q. What do you mean by returns?—A. Returns from the routes unsold, because the consumption is less, and the drivers have to carry a certain amount to meet their possible requirements, and there is a much greater percentage of sweet cream returns than there is of milk.

Q. Now, Mr. Jones, with regard to 35 per cent cream, what would be your selling price per gallon?—A. 35 per cent cream? We don't handle 35. You mean 32, 30 to 32, our highest test.

Q. Give us 30, then.—A. Thirty?

Mr. Bertrand: $3.20 a gallon.

The Witness: Of course, the price for the half-pint is higher; if you base it on the half-pint, it is higher than it would be on the quart, you know.

By Mr. Pickel:

Q. Give it to us by the quart, then.—A. Whipping cream is 60 cents per quart, and there are four quarts in the gallon. That would be $2.40.

Q. That is $2.40 for a gallon?—A. Yes.

Q. Now, would you just tell the committee what that cost you?—A. I can give you the cost, the average cost of 1932.

Q. All right, give it to us.—A. This is the product cost alone, in our average, half-pints of cream; that is all our different kinds, three different kinds of cream and all the different sizes averaged to half-pints; the cost of the product was 4·92 per half-pint.

Q. Which you sold for 10?—A. No; our average retail selling price for 1932 was 12·45.

Q. That is for 30 per cent?—A. No, that is an average of the three different creams.

Q. Of the whole?—A. Yes, I have it that way. It is easier to give, if you don't mind, sir.

Q. Give me that cost again.—A. 4·92.

Q. That is for a half-pint?—A. Per half-pint.

Q. And your selling price?—A. Our selling price is 12·45.

Q. Do you get any milk from the Maxville Dairy?—A. No, sir.

Q. That goes to Montreal.

Mr. BERTRAND: Four point what, what is the price?

Mr. PICKEL: 4·92 and 12·45, a spread of eight cents in the cream.

By Mr. Wilson:

Q. I just want to ask one or two questions, Mr. Jones. This morning I think we were told, according to your evidence, that your dairy farm is a losing concern; and you also intimated that you did not think that the farmer was getting enough; and you also thought that the farmer perhaps by organization might accomplish something. I think you will agree that the farmers, as far as organization goes, you can't hold them together. Supposing there is an organization of 200 milk producers. They come in to meet your dairy company. They are represented by one, and you are represented practically by one. Do they ever go away getting what they ask for?—A. I don't think I can ever recall a meeting when they went away receiving what they originally were asking for.

By the Chairman:

Q. Why, because they asked for more than they should?—A. Well, they like to have some leeway to come down.

By Mr. Wilson:

Q. The other representative of your company says you built up a surplus, a very large one. Do you know of a farmer in this section who has built up a surplus?—A. No sir.

Q. By milk?—A. No.

Q. You don't?—A. No, sir.

Q. This committee is really a fact finding committee. We are trying to bring out evidence that might lead perhaps the legislatures to adopt legislation that might so bring about a milk control board where the farmer would perhaps get a fair return for his product. You referred this morning to the Grigg report, an English report, and I just want to read you a clause from it, and ask you what you think about it. This is from the milk report, the English milk report:

> We are satisfied that under the present organization of the industry the farmer is not receiving a reasonable price, when regard is had to the price which the consumer pays, and that it should be possible to improve the farmers' position without forcing the consumer to pay for milk at a higher rate. In order to secure this it is essential that the system of price regulation to be established should give proper weight alike to the pro-

> ducers' and to the consumers' interests and that the middleman section should obtain a fair return on the important services which it renders to both.

Do you think that is a fair statement?—A. Would you mind reading that again, the latter part of it?

Q. Yes, I will. It reads:

> We are satisfied that under the present organization of the industry the farmer is not receiving a reasonable price, when regard is had to the price which the consumer pays, and that it should be possible to improve the farmers' position without forcing the consumer to pay for milk at a higher rate. In order to secure this, it is essential that the system of price regulation to be established should give proper weight alike to the producers' and to the consumers' interests and that the middleman section should obtain a fair return on the important services which it renders to both.

What do you say?—A. I don't know whether that is true of conditions in England or not. I don't know at the moment what their selling price is, nor what their purchase price is.

The CHAIRMAN: Apply it here.

By Mr. Wilson:

Q. Well, apply it here; I am not just referring to England.—A. I was going to follow on with that. I do know that the figures we presented here to-day, that our operations for 1932 would not permit of that, unless some changes, some radical changes are made either in the cost of selling and delivering or in some way; but with conditions the way they are to-day, the loads that our wagons are carrying, and the regular overhead, I do not think that it is possible to continue and decrease the margin between the cost price and the selling price that was established in Ottawa to-day, which you will see by comparison is low, compared with other places.

Q. Why should the milk producer have to take the fall in every case?—A. If you study those figures that I presented this morning, and you see the summer months we passed through last year—

Q. But the farmers passed through them too, you know.—A. I admit that. I realize that. You will see that we absorbed some of that too. I quoted you a figure this morning of around $35,000 that our company alone absorbed, due to the decrease in 1932 as compared with 1931.

Q. But you were still able to build up a reserve?—A. We were still able to show a profit of ·13 cents per quart.

Q. You admit on your farm you lost some $800,000, if I remember correctly?—A. Yes.

Q. On an 800 acre farm?—A. Yes.

Q. You were asked if you thought the farmer was getting a fair price, and you said No. Don't you think if we had a milk control board— —A. A fair price in comparison with the cost of production, not in comparison with world markets.

Q. Don't you think the farm is practically working for nothing? Is there a farmer in this locality that is not? I know in my section, and I come from Wentworth county, a good milk producing county, and I don't know of a farmer who is making money to-day. I do know that there are farm sale bills all over the country, farmers going out of business, but I have never heard of a dairy company that the Bordens had anything to do with going out of business. I have not heard anything of that kind. What I would like to ask is this, to get your opinion, because you were brought up in the business, and as I said, we

are a fact finding committee, we are anxious to do something in order to improve the position of the dairy industry in this country; because I think you will agree with me that if it is not improved, what is going to happen? The farmer cannot continue much longer. He has no reserve like you have to fall back on. He has come through just the same period as you have. You must know, if you have followed what is being done in other places, what New York state has done. They have established a milk control board. You know what has been done in Winnipeg, but I think one of the representatives of the dairies said they didn't like that. Milk is a public necessity, no doubt about it at all. Why it couldn't be handled in the same way as electricity is, as a public utility, and the price fixed to the producer, giving him a fair return which I think he is justly entitled to, is past me. But I do say that possibly this committee is not the place to do it. I think the legislatures should do it; and I understand that the province of Quebec have lead the way, partly at least. Whether they have gone far enough, I am not prepared to say. I would like to ask from you, from your experience, don't you think it would be fair—it is all right to organize the farmers, have your milk producers' associations, let them get better herds and everything else, as far as that is concerned; but if we get better cows and more milk production, then the farmer is in a worse position than he was because he can't dispose of it.

Should there not be some way whereby the Dairy Company and the milk producer could arrive at a satisfactory arrangement and if they can't do that, put it under a milk probe board who will see to it that the price paid the producer is fair and that the consumer buys at a fair price also. I would just like to ask what you think of that, if you think something could be done. I have heard the statement you made about losses, and one thing and another, and they could be remedied to a large extent. There should be some other way, I don't mean by an increase in the price to the consumer, because that should not be necessary; but I do think with present day conditions that the milk producers of this country should get a fair return for the work which they do. What is your opinion on it?—A. Well, I realize that your committee is confronted with a very serious problem, and that is the same thing that is being confronted by all of us, both producers and distributors. If something can be done to improve the position of the farmers I think we will all be better off. I don't think that the farmers to-day are getting sufficient money for their milk in comparison to the cost of their product. To-day we are meeting world markets and world conditions, commodity prices are down, all commodity prices are down, and it is not the farmer's fault, nor is it the fault of the distributor that prices are as low as they are to-day. Now, I don't know just the best way to remedy that. You men have been meeting here for weeks and weeks, we have been thinking over it for months and months—just how to remedy that situation I don't know. Maybe a milk commission is the right thing. I have had no experience whatever with a milk commission; possibly that is the right way to do it.

I certainly think something should be done, although when you have to meet world conditions it is very hard for any set of men to sit around a table and by artificial means do something contrary to the law of supply and demand, which after all, determines prices. We have had meetings before, we have sat in around the table, and we thought we could do something, but it can't be done. A number of the larger and more reputable companies tried to maintain the price last summer, so that the price would not be reduced to the farmer, and what was the result? These factories and creameries, as I pointed out in my statement this morning, came into the market anyway, and eventually we had to come down and meet this competition. Now, if you by artificial means could devise some way or other for controlling the law of supply and demand, I think the committee would have done good work.

The CHAIRMAN: Could we do anything in the way of reducing the cost of distribution? Have you anything to suggest along that line?—A. I spoke of equality a few minutes ago. I think that one of our greatest problems, everything considered to-day, is selling and delivery costs. We have endeavoured to do something along that line with the Laurentian Dairy and the Ottawa Dairy, by having the two products on one wagon and avoid competition. To-day we have a greater number of pasteurization plants, and we have more distributors than we ever had.

The CHAIRMAN: Well Mr. Jones, competition you say is one of the main factors in keeping up the cost of distribution; is that not correct?

The WITNESS: Yes, due to the number of wagons.

By the Chairman:

Q. I suppose that your company in respect to the distribution of the products of your two companies has done quite a bit to wipe out that competition?—A. Well, as I said this morning, I think we have done a great deal by the general effort of the association and the few distributors who are willing to sit in with the association. I think we have accomplished a lot. I think the situation would be far worse to-day if it were not for the contact in that association.

Q. Would you be opposed to any compulsory methods that might be adopted to reduce that competition?—A. Well, I would like to know what the method would be first, and give it some study. I would not like to commit myself on that point, sir.

By Mr. Pickel:

Q. Do you not agree that the loss is always passed on to the farmer, that he is the man who suffers in the end?—A. No, not always.

Q. He is the sufferer.—A. In the figures which I presented this morning, if you will study those figures and watch the months that we were giving there, you will see that during last summer $35,000 was absorbed by the company I represent alone.

Q. That may be, but the surplus has not decreased very much?—A. Well, these figures as I gave them to you are actual figures, from our record.

Q. Your surplus is growing all the time. I just want to make this cream situation clear, your average price for a half pint, paid to the farmer is 4·98?—A. That is the average cost of the milk to us.

Q. And you sell for 12·45?—A. Yes.

Q. Now, that figures out per quart at 20 cents to the farmer and 50 cents to the distributor?—A. Yes.

Q. Or 80 cents per gallon to the farmer and $2 to gallon to you?—A. Yes.

Q. That is quite a profit?—A. We showed a profit in 1932 on all our cream averaged at half price of 2·28 cents. That is before deducting income tax.

Q. You gave the figures of the cost of manufacturing ice cream, how much is that?—A. The total cost of our ice cream in 1932, the average for the year per gallon was $1·2416.

Q. What is your ice cream, is it just cream frozen?—A. That is frozen ice cream.

Q. That must be all cream?—A. That is the total cost of the product.

Q. Do you make your ice cream just out of cream?—A. We make it out of cream.

Q. What is the composition of your ice cream?—A. I can't give you the exact composition of the ice cream, I will submit that.

Q. Approximately, how much cream is there in it?—A. 12 to 14 per cent.

Q. And that costs you?—A. The total cost is the figure I gave you.

Q. They are certainly beating you down in Montreal, for they sell it for \$1.20 a gallon.—A. That applies to bricks and everything, that is not only bulk.

Q. A man who makes a specialty of ice cream, tells me that it costs him 37½ cents a gallon.

By Mr. Tummon:

Q. Mr. Jones, I was not in just a moment ago, but in order to make the matter clear, you say that you put the Ottawa Dairy products and the Laurentian Dairy products on the same wagon?—A. Yes, sir.

Q. And the Laurentian Dairy wagon is the Ottawa Dairy wagon?—A. In some cases, yes.

Q. That would mean that the wagons of both companies cover the same ground?—A. That is what we are trying to avoid, we are trying to avoid both wagons being on the same street.

Q. You have not succeeded in eliminating that yet?—A. Which?

Q. Having one wagon with both products on one street?—A. I think we have accomplished a good deal along that line.

Q. That is your ambition, is it; to completely eliminate these wagons of your own two companies having products of both plants and covering the same streets?—A. Yes.

The committee adjourned at 6 o'clock, to meet again Thursday, April 13, at 10.30 a.m.

APPENDIX "B"

OTTAWA DAIRY LIMITED

TABLE No. 1

Month	Purchase price Per cwt. 1931	Purchase price Per cwt. 1932	Purchase price Per quart 1931	Purchase price Per quart 1932	Retail price Per quart 1931	Retail price Per quart 1932	Spread Per quart 1931	Spread Per quart 1932
	$	$					cts.	cts.
January	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
February	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
March	2 16	1 40	·0557	·0361	·12	·10	6·43	6·39
April	1 86	1 40	·0479	·0361	·11	·10	6·21	6·39
May	1 86	1 40	·0479	·0361	·11	·10	6·21	6·39
"	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
June 1–12	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
" 13–30	1 80	0 80	·0464	·0206	·11	·08	6·36	5·94
July 1–12	1 80	0 80	·0464	·0206	·11	·08	6·36	5·94
" 13–31	1 80	1 00	·0464	·0258	·11	·08	6 36	5·42
August	1 80	0 95	·0464	·0245	·11	·08	6 36	5·55
September	1 80	0 95	·0464	·0245	·11	·08	6·36	5·55
October 1–16	1 80	1 20	·0464	·0309	·11	·08	6·36	4·91
" 17–31	1 80	1 20	·0464	·0309	·11	·09	6·36	5·91
November	1 80	1 20	·0464	·0309	·11	·09	6·36	5·91
December	1 80	1 40	·0464	·0361	·11	·10	6·36	6·39
Total								
Average	1 90	1 22	·04897	·03144	·1125	·0920	6·353	6·064

NOTE.—Purchase price f.o.b. farm for 3·4 per cent milk based on 38·8 quarts per 100 pounds.

TABLE No. 2

—	Pounds of milk purchased		Value and premium per quart		Value per quart		Number of quarts sold		Total value		Value per quart		Spread per quart	
	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932
									$ cts.	$ cts.				
January........	2,763,399	2,398,440	2·163	1·463	·0558	·0377	639,769	702,119	75,574 62	68,877 67	·1181	·0981	·0623	·0604
February	2,451,309	2,189,385	2·146	1·451	·0554	·0374	585,888	686,948	69,153 00	66,769 79	·1180	·0975	·0621	·0601
March........	2,711,430	2,315,705	2·164	1·443	·0558	·0372	641,060	716,121	75,319 29	69,728 14	·1175	·0974	·0617	·0602
April........	2,665,466	2,251,002	1·875	1·436	·0484	·0370	626,374	705,756	67,126 38	68,607 06	·1072	·0972	·0578	·0602
May........	2,764,830	2,323,765	1·835	1·422	·0473	·0367	647,249	662,883	69,382 75	64,644 79	·1072	·0975	·0599	·0608
June........	2,688,082	2,011,500	1·804	1·147	·0465	·0296	605,825	650,285	65,261 20	55,919 30	·1077	·0860	·0612	·0564
July........	2,671,031	1,708,927	1·770	0·946	·0457	·0244	766,859	641,168	82,115 08	50,143 98	·1071	·0782	·0614	·0538
August........	2,204,042	1,678,604	1·787	1·003	·0461	·0259	761,455	652,598	81,298 48	51,067 40	·1068	·0782	·0607	·0538
September........	2,427,809	1,674,035	1·737	1·024	·0448	·0264	759,983	644,696	81,436 97	50,415 39	·1071	·0782	·0623	·0518
October........	2,467,061	1,738,930	1·887	1·226	·0487	·0316	798,498	664,743	85,685 93	54,011 06	·1073	·0813	·0587	·0497
November........	2,345,553	1,628,936	1·861	1·236	·0480	·0319	701,993	647,677	75,444 31	54,508 92	·1075	·0842	·0595	·0523
December........	2,434,038	1,746,368	1·862	1·428	·0480	·0368	749,237	691,378	80,571 02	64,492 76	·1075	·0933	·0595	0565
Total........	30,594,050	23,665,597	....	....	....	....	8,284,190	8,066,372	908,369 03	719,386 26	....	....	....	..
Average........	2,549,504	1,972,123	1·911	1·290	·0493	·0333	690,349	672,206	75,697 42	59,947 98	·1096	·0892	·0606	·0562

NOTE.—4 cents per point premium above 3·4 per cent.

TABLE NO. 2A

Spread per Quart (A) (See Table No. 1) Based on Top Retail and Nominal Purchase Price.
Spread per Quart (B) (See Table No. 2) Based on Actual Price Realized and Actual Cost of Milk.

Month	A		B		Differential between A and B	
	1931	1932	1931	1932	1931	1932
	cents	cents	cents	cents	cents	cents
January	6·43	6·39	6·23	6·04	·20	·35
February	6·43	6·39	6·21	6·01	·22	·38
March	6·43	6·39	6·17	6·02	·26	·37
April	6·21	6·39	5·78	6·02	·43	·37
May	6·28	6·39	5·99	6·08	·29	·31
June	6·36	6·16	6·12	5·64	·24	·52
July	6·36	5·68	6·14	5·38	·22	·30
August	6·36	5·55	6·07	5·24	·29	·31
September	6·36	5·55	6·23	5·18	·13	·37
October	6·36	5·41	5·87	4·97	·49	·44
November	6·36	5·91	5·95	5·23	·41	·68
December	6·36	6·39	5·95	5·65	·41	·74
Total and Average	6·353	6·064	6·06	5·62	·293	·444

TABLE NO. 3

Average Price Paid for all Milk for All Purposes.

Month	1931		1932	
	Per cwt.	Per qt.	Per cwt.	Per qt.
	$	cents	$	cents
January	2·0232	·05214	1·3714	·03534
February	2·0137	·05190	1·3636	·03514
March	2·0110	·05183	1·3695	·03530
April	1·7023	·04387	1·3293	·03606
May	1·5880	·04093	1·2867	·03316
June	1·4757	·03803	·9607	·02476
July	1·5703	·04047	·8394	·02163
August	1·5809	·04074	·9330	·02405
September	1·7187	·04430	·9512	·02452
October	1·7000	·04381	1·1221	·02892
November	1·7187	·04430	1·1477	·02958
December	1·7385	·04481	1·3068	·03368
Total and Average	1·6837	·04389	1·1697	·03018

TABLE No. 4

Pounds of Milk Purchased and Disposition.

Month	Pounds Milk Purchased 1932				Percentage			
	Street Sales	Sweet Cream	Surplus	Total	Street Sales	Sweet Cream	Surplus	Total
January	2,398,440	55,406	291,126	2,744,972	87·4	2·0	10·6	100
February	2,189,385	51,902	236,284	2,477,571	88·4	2·1	9·5	100
March	2,315,705	56,299	270,617	2,642,621	87·6	2·1	10·3	100
April	2,251,002	52,845	306,929	2,610,776	86·2	2·0	11·8	100
May	2,323,765	84,851	398,104	2,806,720	82·8	3·0	14·2	100
June	2,011,500	214,660	816,757	3,042,917	66·1	7·1	26·8	100
July	1,708,927	286,984	489,978	2,485,889	68·8	11·5	19·7	100
August	1,678,604	228,368	218,369	2,125,341	79·0	10·7	10·3	100
September	1,674,035	235,948	330,301	2,240,284	74·7	10·5	14·8	100
October	1,738,930	234,823	251,173	2,224,926	78·2	10·5	11·3	100
November	1,628,936	211,850	156,104	1,996,890	81·6	10·6	7·8	100
December	1,746,368	207,669	180,729	2,134,766	81·8	9·7	8·5	100
Total and Average	23,665,597	1,921,605	3,946,471	29,533,673	80·1	6·5	13·4	100

OTTAWA DAIRY LIMITED

CAPITAL STOCK

—	Authorized	Issued				Consideration for Stock Issued
	Shares	Common Shares	Par value	Preferred Shares	Par value	
			$		$	
Jan. 1, 1928		16,000	800,000 00	72	3,600 00	
Jan. 1, 1928	60,000 at $50			21,242	1,062,100 00	
Jan. 1, 1928, 1st and 2nd redeemed and authorized reduced.	(21,314) at $50			(1st— 72) (2nd—21,242)	(3,600 00) (1,062,100 00)	Redeemed. Redeemed.
Mar. 19, 1929		22,000	1,100,000 00			In settlement of Loan made by B. F. & Co., Ltd.
Dec. 18, 1931—Transfer of 6,300 Common to Borden's Ltd. *re* investment in Cornwall Dairy Products.	(6,300) at $50	(6,300)	(315,000 00)			Assets and goodwill.
Par value of all authorized and issued changed to $100.00.	(32,386) at $50 16,193 at $100 3,807 at $100	(31,700) 15,850	(1,585,000 00) 1,585,000 00			
Dec. 29, 1931—Purchase of Laurentian Dairy, Ltd.		1,500	150,000 00			
Dec. 31, 1932—Summary of Capital Stock	20,000 at $100	17,350	$1,735,000 00			

OTTAWA DAIRY LIMITED

ANALYZED STATEMENT OF NET INCOME FOR YEAR ENDING DECEMBER 31, 1932

—	—	Percentage of net sales
	$ cts.	
Gross sales	1,494,504 68	
Deductions—		
Discounts and allowances—I/C	8,963 17	
Rebates and allowances—Milk	4,471 72	
Reserve for bad debts—I/C	1,813 70	
Sales tax	17,242 34	
Total deductions	32,490 93	
Net sales	1,462,013 75	
Cost of Sales—		
Cost of Products—		
*Milk and milk products	388,744 59	26·59
*Purchased butter, etc	197,232 25	13·49
*Sugar and raw materials	32,719 16	2·24
Total cost of products	618,696 00	42·32
Production Expense—		
*Salaries and wages	76,529 21	5·24
*Expense	36,431 05	2·49
*Materials	55,755 40	3·82
*Depreciation	35,965 49	2·46
*Insurance	2,674 82	0·18
*Taxes	5,985 45	0·41
*Other property expense	....	
*Adm. expense—Affil. Cos	2,659 35	0·18
*Adm. expense—Actual	23,132 66	1·58
Total production expense	239,133 43	16·36
Selling Expense—		
*Salaries and wages	93,318 14	6·38
*Commissions	117,664 68	8·06
*Expense	48,004 93	3·28
*Materials	14,150 36	0·97
*Depreciation	14,201 53	0·97
*Insurance	4,452 68	0·30
*Taxes	3,884 47	0·27
Other property expense	....	
Selling expense—I/C	146,667 64	10·03
Adm. expense—Affil. Cos	2,659 35	0·18
Adm. expense—Actual	23,132 67	1·58
Total selling expense	468,136 45	32·02
Reserve bad debts—Milk	11,035 86	0·75
Publicity	9,452 32	0·65
Bottle, box and can losses	28,358 53	1·94
Bottle, box and can repairs	1,588 32	0·10
Total cost of sales	1,376,400 91	94·14
Net profit	85,612 84	
Other Income—		
Interest received	34,392 79	(2·38)
Profit on material sold	212 71	(0·01)
Farm operations	(8,871 48)	0·61
Total other income	26,034 02	(1·78)
Gross income	111,646 86	
Deductions from Income—		
Income tax	12,516 03	0·86
Interest paid	1,618 38	0·11
Provincial taxes	3,551 09	0·24
Total deductions	17,685 50	1·21
Net income	93,961 36	6·43

*For details of these items see attached Schedule.
NOTE.—Figures in parentheses to be considered Red.

OTTAWA DAIRY LIMITED

NAMES OF ITEMS INCLUDED UNDER COST OF SALES ON ANALYZED NET INCOME STATEMENT

Milk and Milk Products.—Cost value of purchased raw milk and cream f.o.b. plant including freight and haulage.

Purchased Butter, Etc.—Cost value of all purchases of butter for resale.

Sugar and Raw Materials.—Sugar, fruits, etc., used in ice cream.

PRODUCTION EXPENSE

Salaries and Wages.—Plant supervision, laboratory, power and refrigeration, receiving and testing, pasteurizing, bottling, canning, washing bottles and cans, making condense, powder and casein, ice and brine, building repairs.

Expense.—Stationery, postage, supper money, telegraph and telephone, travelling expense, books and magazines, automobile expense, laundry, water, light, heat, testing new bottles, ice making.

Materials.—Ammonia, coal used, cartons, wrappers, bottle caps, ice and salt used, washing powder, laboratory materials, brine, service suits and coats.

Depreciation.—Buildings, $2\frac{1}{4}$-$3\frac{1}{4}$ per cent; machinery and equipment, milk, 6 per cent; machinery and equipment, ice cream, 10 per cent; horses, $3 per horse per month; harness, 10 per cent; wagons and sleighs, 10 per cent; cows, $2 per cow per month; furniture and fixtures, 7 per cent; automobiles, 25 per cent, 20 per cent and $12\frac{1}{2}$ per cent.

Insurance.—Self fire insurance and other outside coverage.

Taxes.—Property (including licence).

Administrative Expense—Actual.—Salaries of executive and accounting department, telephone operators, stationery, telegraph and telephone, directors' fees and expense, audits and special reports, donations, subscriptions, fire and group insurance, workmen's compensation, rent, taxes (general, provincial, capital stock), photostating expenses, automobile expenses.

SELLING EXPENSE

Salaries and Wages.—Delivery supervision, office employees, solicitors, foremen, route salesmen, chauffeurs, helpers, stablemen, washing wagons, horseshoeing, yardmen, watchmen, garage supervision, mechanics and service men, tinshop and wagonshop.

Commissions.—Route salesmen and inspectors.

Expense.—Stationery, postage, telegraph and telephone, travelling expense, waste on routes, stable expense, horseshoeing, veterinary, laundry, products used in laboratory, light, heat, power, water, automobile expense, repairs and maintenance buildings and structures, machinery and equipment, harness and wagons, painting, miscellaneous.

Materials.—Feed and bedding, horseshoeing materials and supplies, gasoline and oil, tires and tubes, repair parts and supplies used in shops.

Insurance.—Self fire insurance and other outside coverage.

Taxes.—Property, automobile licences, business tax.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 26, 1933

No. 15A

(Supplement to No. 15)

Reference,—Milk and Milk Products

Documents filed by Witnesses, W. F. Jones and B. H. Thorne.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

OTTAWA DAIRY LIMITED, OTTAWA, ONTARIO

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION, APRIL 12, 1933

Questions answered by Mr. W. F. Jones

Attached Sheet No.	Minutes		Subject
	Page	Line	
1	483	46	Number of members comprising Ottawa Valley Milk Producers' Association.
1	488	38	Correction in value of bottle loss per shipment.
1	489	16	Number of Bottles on hand at last inventory date.
2	489	20	Cost of 12-quart metal case.
2 and 3	491	25	Complete list of Borden plants in Canada.
4 and 5	495	....	Pounds of milk produced at Ottawa Dairy Farm. Quarts of Jersey and Nursery Milk Sold and Price. Cost of producing milk. Memo showing method of determining purchase price to Farm. Number of cows milking March, 1933.
6	496	47	Copy of Annual Report of The Borden Company.
7	498	19	Percentage of Homogenized Sales.
7	503	19	Profit or Loss Ottawa Dairy Farm 1928-1932.
7	528	22	Number of Shippers 1928-1932.
8	529	17	Table Sweet Cream Prices as compared with Butter Prices.
9	531	39	Correction.
9	533	47	Composition of Ice Cream.
9	....	....	Explanation of 4 prices referred to by a member of the Committee, April 24, 1933.

OTTAWA DAIRY LIMITED

Minutes:—Page 483—Line 46.

Subject:—Number of members comprising Ottawa Valley Milk Producers' Association:

1931	471
1932	458

(This information submitted by T. J. Boyce, Secretary, April 15, 1933).

Minutes:—Page 488—Line 38.

Subject:—Correction in value of bottle loss per shipment:

Value of loss per shipment, ·2186 cents not—·1782 cents as stated. ·1782 cents is loss per quart of total milk handled in 1932.

Minutes:—Page 489—Line 16.

Subject:—Number of bottles on hand at last inventory taken March 31, 1933:

Quarts	145,362
Pints	70,315
Half-pints	23,463

Minutes:—Page 489—Line 20.

Subject:—Cost of 12-quart metal case.

Cost of 12-quart metal case is $3.30 and not $3.50 as stated.

Minutes:—Page 491—Line 25.

Complete list of Borden plants in Canada.

This information will be furnished by Mr. B. H. Thorne, Assistant Secretary-Treasurer and Regional Accountant.

Minutes: Page 495.

Subject: Ottawa Dairy Farm.

914,458 pounds of milk produced on Ottawa Dairy Farm in 1932.

Quarts of Milk Sold, 1932

	Per quart
Jersey, 53,128½	·1579
Nursery, 81,642½	·1416

Method of Determining Purchase Price to Farm

Nursery Basis.—Association price plus one-half the difference per quart between retail selling price of regular pasteurized milk and nursery milk on quantities sold as nursery milk.

Jersey Basis.—Association price plus one-half the difference per quart between retail selling price of regular pasteurized milk and jersey milk on quantities sold as jersey milk.

Balance of milk produced over nursery and jersey requirements purchased at prevailing association price.

Number of Cows Milking, March 1933: 130.

Surplus milk purchased from Ottawa Dairy Farm in 1932: 51,597 pounds.

Operating

Milk Sales	$ 16,216 22	$ 16,216 22
Milk Quantity (Pounds)	914,458	
Salaries, Supt	2,160 00	
Field labour	6,435 89	
Labour—Barns	91 72	
Labour and material, repairs to equipment	367 72	
Labour and material, repairs to buildings	1,755 45	
Feed and bedding	3,883 83	
Seed	566 89	
Veterinary expense (cattle tests)	231 35	
Depreciation, horses, machinery and equipment, etc	1,450 76	
Depreciation—Buildings	2,358 32	
Miscellaneous expenses	2,169 04	
Miscellaneous sales of farm products	(2,957 81)	
Taxes	2,186 19	
Insurance	349 25	
Depreciation—Cattle	3,359 70	
Appreciation—Young cattle	(1,466 30)	
Trucking	116 98	
Boarding house expense	2,028 72	
Total charges	$ 25,087 70	25,087 70
Loss		$ 8,871 48

Figures in parentheses to be considered red.

OTTAWA DAIRY LIMITED

Minutes: Page 496—Line 47:

THE BORDEN COMPANY, ESTABLISHED 1857, AND ALL SUBSIDIARY COMPANIES

Annual Report for the Fiscal Year Ended December 31, 1932
New York, March 1933

THE BORDEN COMPANY

Directors:

Howard Bayne	Robcliff V. Jones	Arthur W. Milburn
*Hugh Blair-Smith	John Le Feber	Beverley R. Robinson
Lewis M. Borden	Edward B. Lewis	Stanley M. Ross
L. Manuel Hendler	John W. McConnell	Wallace D. Strack
Albert T. Johnston	Albert G. Milbank	Robert Struthers

Officers:

Albert G. Milbank, Chairman Board of Directors
Arthur W. Milburn, Chief Executive & Chairman Executive Committee
Albert T. Johnston, President
Wallace D. Strack, Executive Vice-President
Patrick D. Fox, Vice-President
Edward B. Lewis, Vice-President
Ralph D. Ward, Vice-President
George M. Waugh, Jr., Vice-President
Everett L. Noetzel, Treasurer
Walter H. Rebman, Secretary
George Bittner, Assistant Treasurer
St. John W. Davis, General Controller
Frederick W. Schwarz, Assistant Treasurer
Theodore D. Waibel, Assistant Secretary

This list reveals some changes in the official personnel, due to the death during the year of Merritt J. Norton, Vice-President and William P. Marsh, Secretary and Treasurer.

EXECUTIVE OFFICES

The Borden Company
350 Madison Avenue, New York City
(Subsidiary and Territorial Offices not included)

REGISTERED OFFICE

15 Exchange Place, Jersey City, N.J.

Transfer and Dividend Disbursing Agent
The Chase National Bank of the City of New York
11 Broad Street, New York City

Registrar: Bankers Trust Company, 16 Wall Street, New York City
Counsel: Milbank, Tweed, Hope & Webb, 15 Broad Street, New York City
Auditors: Haskins & Sells, 22 East 40th Street, New York City

* Died January 11, 1933.

Corporate Organization and Scope

The business of the Company falls into four general divisions. In conformity with this there were created during the year 1929 four major sub-holding companies to conduct and co-ordinate the operations of these four general divisions. For similar reasons and because of the extent of operations throughout all of Canada, which operations embrace the activities of all four general divisions, Borden's Ltd., a Dominion Corporation, was organized in 1930.

The Borden Company owns 100 per cent of the stock of these major sub-holding companies, and of Borden's Ltd., each of which companies, in turn, owns 100 per cent of the stock of the operating companies coming under its control.

The four major sub-holding companies are as follows:—

Borden's Food Products Company, Inc. Food Products Group—manufacture and sale since 1857 of Eagle Brand as well as other brands of condensed milk; also evaporated, malted and dry milk; casein products, caramels, mince meat, dried fruit juices, etc.
Business of the above nature is conducted throughout the United States, Canada and in Export Markets.

Borden's Dairy Products Company, Inc. Fluid Milk Group—purchase and distribution by a system of wagon deliveries of milk, cream, butter, eggs, etc.
Business of the above nature is conducted in the States of Arizona, California, Connecticut, Illinois, Indiana, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

Borden's Ice Cream & Milk Company, Inc. Ice Cream Group—manufacture and sale of ice cream and allied products.
Business of the above nature is conducted in the States of California, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Missouri, New Jersey, New York, Ohio, Pennsylvania, Texas, West Virginia, Wisconsin, and in the Provinces of Ontario and Quebec in Canada.

Borden's Cheese & Produce Company, Inc. Produce Group—purchase, production and sale of farm produce (butter, eggs, etc.) as a source of supply for our own wagon distribution and at wholesale; also manufacture and sale of package, loaf, bulk and fancy cheeses.
Business of the above nature is conducted throughout the United States, Canada and in certain Export Markets.

To the Stockholders of The Borden Company:

There are presented herewith Financial Statements together with certificate of audit of Messrs. Haskins & Sells, setting forth the Operating Results for 1932 and the condition of the Company at the close of that year.

The decrease in Sales and Net Income is attributable to the uncontrollable general conditions prevailing throughout the year, and the further drastic liquidation of dairy product values, with accompanying market chaos.

Despite these conditions the Balance Sheet at the close of the year reflects strength and preparedness.

Sales

Sales for the year amounted to $212,348,871.24 compared with $284,586,876.71 for 1931, a sales value decrease of 25·4 per cent and a sales tonnage decrease of 12 per cent. The adjustment of Canadian and Export Sales to their United States dollar value adversely affects the sales value figure for both years.

Net Income and Earnings per Share

Net Income of $7,524,488.92 is 3·54 per cent of sales and $1.71 per share on all of the Capital Stock outstanding December 31, 1932.

This compares with Net Income of $3.82 per share before provision for profit sharing in 1931, and $3.66 per share after such provision in that year. The terms of the Profit Sharing Plan are such as to preclude any distribution from 1932 Net Income for profit sharing purposes.

Net Income on Canadian and Export Sales is adjusted to the United States dollar value and the adjustment absorbed as an operating charge.

Net Working Capital

This item at the close of the year stood at $39,726,942.17 compared with $43,646,852.24 on December 31, 1931. This decrease of $3,919,910.07 is more than accounted for by the smaller and lower valued Inventories, which were $4,381,060.57 less than on December 31, 1931. These were valued at the lower of cost or market conservatively established.

The ratio of Current Assets to Current Liabilities on December 31, 1932, was $4.72 to $1, which compares with a ratio of $3.91 to $1 on December 31, 1931.

Cash on hand, domestic and foreign, adjusted to United States dollar value, amounted to $15,692,826.52 on December 31, 1932, which compares with $15,027,552.55 on hand December 31, 1931. Cash alone was about one and one-half times the total of all Current Liabilities.

Marketable Securities of high investment rating, a large proportion being United States Government Securities, and including a substantial amount of Canadian Government Securities, taken at their December 31, 1932, United States dollar market value, amounted to $8,777,071.56 compared with $10,157,503 on December 31, 1931.

The Reserves created in 1931 by transfer from Surplus for the absorption of losses on Marketable Securities and adjustment to their United States dollar value of aggregate Net Current Assets remaining in foreign jurisdictions, were at December 31, 1932, somewhat excessive, when measured by security and exchange values of that date. It was thought best, in view of continuing unsettled conditions, to defer the return to Surplus of any excess provision remaining therein. Current operations have not benefited by use of these Reserves.

While collections were the poorest of recent years, all credit losses have been charged off and adequate Reserves against future losses have been created by charges to operations, thus leaving Receivables in a healthy condition.

Property, Plant and Equipment

The net depreciated and adjusted value of this item on December 31, 1932, is $98,678,333.01 as compared with $100,186,701.81 on December 31, 1931, which latter figure comprehends the extensive reserve appropriations and adjustments of that year as fully set forth in the 1931 report to Stockholders.

Depreciation charges to operations during 1932 amounted to $8,695,625.76.

Large expenditures, previously planned, for improvements and replacements were made and property values thereby increased.

All properties were maintained in excellent physical condition and seemingly wise expenditures in the interest of quality protection, co-ordination and efficiency were not withheld.

Property expenditures of every nature continued to be controlled by a conservative policy of accounting.

With all of the foregoing in mind, the reduction, when compared with the previous year of $14,058,941.27, in gross value of Property, Plant and Equipment, and of $12,550,572.47 in Reserves for Depreciation, calls for special comment, which follows:—

The two principal causes for the reduction of Gross Values and Reserves during 1932 are:—

(1) The removal from both the Gross Property Values and the Reserves for Depreciation of all that property and equipment which has become 100 per cent depreciated.

(2) The removal from both Gross Property Values and the Reserves for Depreciation of the respective amounts therein affecting all property disposed of and all values scrapped in the process of revamping during the year.

In all other respects, the charges and credits to Gross Values and Reserves have been of a regular nature.

Book value of Property, Plant and Equipment is a subject receiving much attention in these days. It is not one that lends itself to uniform treatment by all corporations.

With a long established going concern, necessarily employing at all times fixed assets of large amount, there always exists a disparity between the book values thereof and their current replacement values.

A large portion of these assets are long lived. The costs of some reflect the prices of previous low cost periods, which compare more favourably with those of to-day than some representing peak costs. It is not by any means to be assumed that the total book value of these assets is excessive by the amount of the difference between peak costs and the present day costs applied to all property values.

With these facts in mind, this Company has given much thought to adjustment of its property values, and in so doing has endeavoured to avoid drastic blanket action of an arbitrary nature which might prove unwise at a future day. Specific treatment, approached with thoroughness and caution, rather than very general treatment, has been our procedure.

Thus far the consideration given has resulted in:—

(1) The Reserves of $9,750,000 created in 1931 for adjustment of book values of Idle, Surplus, Obsolete and Excessively Cost-Valued and previously independently appraised Properties, as set forth in the 1931 Report to Stockholders.

(2) The elimination in 1932 from property values of 100 per cent depreciated Properties, some of which, nevertheless, continue in operation, the practical effect of which is a downward adjustment of total gross property values, as hereinbefore referred to. As more properties become 100 per cent depreciated or are disposed of, they too will be eliminated from book values.

Further, it is to be remembered that large expenditures for replacements of Property and Equipment at current price levels, resulting in the substitution of present day costs for those of higher priced periods, result in a constant adjustment of total gross values of Properties.

All the foregoing reacts favourably on depreciation charges without lowering of rates.

The Budget of Capital Expenditures for 1933, as approved by the Board of Directors, while providing fully for all necessary replacements and, as well, certain further expenditures in the interest of co-ordination and efficiency, is a greatly reduced Budget as compared with that of 1932, and well within the usual depreciation charges for the year.

Capital Stock

Of the Authorized Capital Stock of 8,000,000 shares of $25 par value each, and an aggregate par value of $200,000,000, there was outstanding on December 31, 1932, $109,918,850 par value, represented by 4,396,754 shares, as compared with $109,882,025, represented by 4,395,281 shares on December 31, 1931.

The net increase in outstanding Capital Stock for the year, amounting to $36,825 and 1,473 shares, is accounted for as follows:—

3,900 shares were issued in payment for small businesses acquired and merged with existing units.

2,427 shares previously acquired for corporate purposes, and proving in excess of requirements, are now returned to Treasury Stock, thus reducing the total Capital Stock actually outstanding.

The capital continues without any outstanding securities senior to the Common Stock of The Borden Company.

The stock outstanding December 31, 1932, was held by 36,236 Stockholders, with an average holding of 121 shares, which compares with 32,383 stockholders with an average holding of 136 shares on December 31, 1931.

The number of Stockholders as of December 31 for each of the past six years follows:

1927	5,664
1928	9,482
1929	17,167
1930	24,383
1931	32,383
1932	36,236

Nineteen Thirty-two presented to Management the problem of almost constantly adjusting the business to rapidly changing price and market conditions of an adverse nature. These conditions called for most careful examination and necessary adjustment of costs and operating and general expenses of every nature if the ill effects were to be minimized. This has been done and is continuing.

Operating efficiency has been improved and further marked progress is expected in 1933.

It has been necessary for both the farmers and the Company to make sacrifices in the interest for preservation of markets and an assured future. The farmers have taken price reductions. The members of our organization from top to bottom have taken salary and wage reductions. The Stockholders have taken dividend reductions. All have sacrificed that all might gain.

By all of this the consumer gains—only the records of decades ago reveal retail prices as low as many now in effect. As to some prices nothing comparable can be found.

Stability is still lacking, although greater steadiness has recently been perceptible.

New economies of very large amount, not effective at any time in 1932, were put into effect with the opening of 1933.

During a year when understanding, co-operation and a spirit of determination were of much more than usual importance, they were forthcoming. For these and the personal sacrifices willingly made, the Organization has the grateful appreciation of the Directors and Officers.

Respectfully submitted,

ARTHUR W. MILBURN,

Chief Executive and Chairman Executive Committee.

THE BORDEN COMPANY AND ALL SUBSIDIARY COMPANIES

Consolidated Balance Sheet, December 31, 1932

ASSETS

PROPERTY, PLANT AND EQUIPMENT:		
Including Madison Avenue and Hudson Street Office Building Properties (Values are based on cost or on field surveys by Company's engineers, supplemented where necessary by independent appraisals, with subsequent additions at cost)		$ 159,188,276 50
LESS:		
Reserves for Depreciation		60,509,943 49
NET PROPERTY, PLANT AND EQUIPMENT		$ 98,678,333 01
CURRENT ASSETS:		
Cash	$ 15,692,826 52	
Marketable Securities (at Market or Less)	8,777,071 56	
Receivables (Including salary advances to employees of $94,611.37)—Less Reserve for Doubtful Accounts	13,149,734 15	
Finished Goods (at the Lower of Cost or Market)	8,445,426 92	
Raw Materials and Supplies (at the Lower of Cost or Market)	4,335,238 91	
		50,400,298 06
MORTGAGES AND OTHER RECEIVABLES—NOT CURRENT (Resulting principally from sales of Property)		1,711,120 70
PREPAID ITEMS AND MISCELLANEOUS ASSETS		1,003,422 34
TRADE-MARKS, PATENTS AND GOOD-WILL		7,000,000 00
TOTAL		$ 158,793,174 11

LIABILITIES

MORTGAGE—MADISON AVE. OFFICE BUILDING PROPERTY		$ 2,700,000 00
CURRENT LIABILITIES:		
Accounts Payable	$ 7,454,745 50	
Accrued Accounts:		
Income Taxes (Estimated)	1,053,614 73	
Other Items	2,164,995 66	
		10,673,355 89
DEFERRED CREDITS		621,813 55
TOTAL		$ 13,995,169 44
CAPITAL STOCK—THE BORDEN COMPANY:		
Common $25. par (Authorized 8,000,000 shares)		
Issued .... 4,417,958 shares		
Less Treasury Stock .... 21,204 "		
Outstanding .... 4,396,754 "	$ 109,918,850 00	
RESERVES:		
Contingency Reserve	2,664,009 48	
Insurance and Other Operating Reserves	5,662,359 74	
EARNED SURPLUS	26,552,785 45	
TOTAL CAPITAL STOCK, RESERVES AND SURPLUS		144,798,004 67
TOTAL		$ 158,793,174 11
SALES:		
(This figure is after deducting returned goods and intercompany sales)		$ 212,348,871 24
COST OF SALES AND EXPENSES:		
(Including provision for depreciation in the amount of $8,695,625.76, insurance, property taxes and all manufacturing, selling, delivery, administrative and general expenses, after deducting miscellaneous operating income)		204,479,834 37
NET OPERATING PROFIT		$ 7,869,036 87
OTHER INCOME (Less charges for Interest)		585,490 23
GROSS INCOME		$ 8,454,527 10
DEDUCT—Income Taxes (Estimated)		930,038 18
NET INCOME		$ 7,524,488 92

(No provision for profit sharing is made since under the Plan no profit sharing distribution is permissible for 1932.)

LIABILITIES—*Concluded*

Earned Surplus January 1, 1932	30,021,916 53
Gross Surplus	$ 37,546,405 45
Surplus Charge—Dividends paid in cash during the Year 1932	10,993,620 00
Earned Surplus December 31, 1932	$ 26,552,785 45

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

22 East 40th Street, New York

The Borden Company and all Subsidiary Companies

Certificate of Audit

The Borden Company:

We have audited your accounts and those of your subsidiary companies for the year ended December 31, 1932.

We have verified the accounts representing cash and securities either by examination of such assets or by obtaining certifications of depositaries.

The charges to property accounts have been controlled by a conservative policy. In our opinion, adequate reserves have been provided for depreciation of property and for possible losses, and full provision has been made for all known liabilities.

The inventories of finished goods and raw materials and supplies represent balances shown by inventory records which are adjusted from time to time to agree with physical inventories. The inventory records were examined by us and appear to be correct. All inventory valuations are based upon cost or market, whichever was lower.

We hereby certify that in our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Income and Surplus correctly set forth, respectively, the financial condition of the companies at December 31, 1932, and the results of their operations for the year ended that date.

Haskins & Sells.

New York, February 21, 1933.

OTTAWA DAIRY LIMITED

Minutes:—Page 498—Line 19.

Percentage of Homogenized Sales

January 1, 1932—October 31, 1932: Homogenized Milk 21·82 per cent of Total Sales.

Page 503—Line 19:

PROFIT OR LOSS OTTAWA DAIRY FARM 1928–1932

Year	Amount
	$ cts.
1928	3,955 98
1929	(4,234 79)
1930	(3,587 23)
1931	(8,118 87)
1932	(8,871 48)
1932	(8,871 48)

Figures in parenthesis to be considered red.

Page 528—Line 22:

NUMBER OF SHIPPERS 1928–1932

	192	1929	1930	1931	1932
January	251	247	247	254	228
February	251	247	246	253	226
March	240	248	246	250	221
April	240	247	267	250	218
May	240	248	263	249	219
June	240	248	263	249	221
July	240	250	262	248	222
August	240	250	262	246	219
September	243	249	261	334	219
October	246	249	262	231	221
November	246	247	256	312	215
December	246	247	252	230	217

Note: From April 1930, Laurentian Dairy shipper are included.

OTTAWA DAIRY LIMITED

PURCHASE PRICE PER CWT. OF MILK FOR SWEET CREAM COMPARED WITH BUTTER FACTORY PRICES

Page 529—Line 17:

Month	Sweet cream milk	*Butter factory price	Difference
	$	cts.	cts.
January	1·01	70·75	30·25
February	0·97	59·50	37·50
March	1·02	85·75	16·25
April	0·84	70·00	14·00
May	0·82	59·50	22·50
June	0·71	56·00	15·00
July	0·69	56·00	13·00
August	0·70	63·00	7·00
September	0·77	73·50	3·50
October	0·77	73·50	3·50
November	0·78	70·00	8·00
December	0·78	70·00	8·00
Average for year	0·7694	66·09†	10·85

*Special grade prices converted to 100 pounds of 3·5% milk.
†Sweet cream quantities.

Minutes:—Page 531—Line 39.
Subject:—Correction.
Loss on Farm should read $8,871.48 instead of $800,000.

Page 533—Line 47.
Subject:—Composition of Ice Cream.

Milk solids—Fat	12·00%	to	14·00%
" Not fat	10·10	"	10·10
Sugar	15·70	"	15·00
Stabilizer	0·90	"	0·90
Total solids	38·70%	to	40·00%

Explanation of Four Prices Referred to by a Member of the Committee, April 24, 1933

The Association price referred to by W. F. Jones comprised the price paid for milk sold at retail prices and also the price paid for milk sold at wholesale prices. By agreement with the Milk Producers' Association, there is a differential of 20 cents per cwt. between these two classes of milk.

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION, APRIL 12, 1933

Questions Answered by Mr. B. H. Thorne

Attached sheet number	Minutes		Subject
	Page	Line	
1	506	36	Correction as to full amount paid when redeeming 1st and 2nd preference stock.
1	509	15	
1	507	29	Net income from 1928 to 1931.
2	510	2	Correction on balance of reserve for bad debts on December 31, 1932.
2	510	15	Correction in amount set up for bad debts in 1932.
2	510	30	Reserve for depreciation December 31, 1927.
3	511	28	Amounts paid parent company for administrative expenses prior to 1932.
3	512	12	Correction as to valuing a horse after depreciation.
3	512	46	Percentage of salaries in production department between staff and other employees.
4 and 5	513	32	Analysis of Production expense disbursements.
5 and 6	514	42	" milk selling " "
6 and 7 and 8	514	43	" ice cream " "
9	514	52	" bottle, box and can losses for 1932.
9	518	17	Values added to property as a result of appraisals.
9	518	30	Correction in year.
10	520	18	Correction in name of directors.
10	522	30	Balance sheet of Laurentian Dairy Limited.
11	523	12	Amount paid by Borden Company for Ottawa Dairy Limited.
11	523	39	Correction in word "Sold" to "Cancelled".
11 and 12	524	52	Correction in amount of cash shipped by Canadian companies to New York since 1928.
13	....	....	Balance sheet for 1932.

Questions Asked Mr. W. F. Jones and not Submitted in His Additional Evidence of April 24, 1933

Attached sheet number	Minutes		Subject
	Page	Line	
14	489	20	Cost of 12-quart metal case.
14 and 15	491	25	Complete list of Borden plants in Canada at date of acquisition.

OTTAWA DAIRY LIMITED

Minutes: Page 509—Line 15; Page 506—Line 36.

Subject: Correction as to full amount paid when redeeming 1st and 2nd Preference Stock.

There was $2.50 per share paid on the redeemed 2nd Preference stock in addition to its par value and accumulated dividend in accordance with agreement incorporated in certificate.

Minutes: Page 507—Line 29.
Subject:

NET INCOME FROM 1928 TO 1931

Year	Ottawa Dairy, Ltd.	Laurentian Dairy, Ltd.	Total
	$ cts.	$ cts.	$ cts.
1928	154,200 69	....	154,200 69
1929	168,609 72	....	168,609 72
1930	229,803 28	(40,385 11)	189,418 17
1931	170,320 80	*(12,714 14)	157,606 66
Total	722,934 49	(53,099 25)	669,835 24

*Covers period 1/1/31 to 6/30/31.

Minutes: Page 510—Line 2.

Subject: Correction on balance of Reserve for Bad Debts on December 31, 1932.

Actual balance in Reserve for Bad Debts on December 31, 1932, was:

Milk customers	$8,093 33
Ice cream customers	1,721 65
Total	$9,814 98

Minutes: Page 510—Line 15.

Subject: Correction on amount set up for Bad Debts on December 31, 1932.

Actual amount set up for Bad Debts in 1932 was:

Milk customers	$11,035 86
Ice cream customers	1,813 70
Total	$12,849 56

Minutes: Page 510—Line 30.

Subject: Reserve for Depreciation December 31, 1927.

Amount of Depreciation transferred on January 1, 1928, was $531,632.01.

Minutes: Page 511—Line 28.

Subject: Amounts paid Parent Company for Administrative Expenses prior to 1932.

Amount paid Parent Company for Administrative Expense to Borden's Limited: 1931, $2,822.58.

Minutes: Page 512—Line 12.

Subject: Correction as to Valuing a Horse after Depreciation.

Answer covered amount realized on disposal of horse, no value is set up for any horse after 100 per cent has been written off.

Minutes: Page 512—Line 46.
Subject:

PERCENTAGE OF SALARIES IN PRODUCTION DEPARTMENT BETWEEN STAFF AND OTHER EMPLOYEES

Staff	14·564
Other employees	85·436
Total	100·

Minutes: Page 513—Line 32.
Subject:

ANALYSIS OF PRODUCTION EXPENSE DISBURSEMENTS

General Production Overhead—		
Repairs and maintenance	80 59	
Automobile expense	111 77	
Books and magazines	31 30	
Rent of company cans	(759 81)	
Total	($536 15)	
Laboratory Department—		
Laundry	5 66	
Light, heat and power	34 00	
Miscellaneous expense	289 12	
Salaries and wages	4,507 45	
Insurance	18 27	
Total	$4,854 50	
Power Plant and Refrigeration—		
Repairs and maintenance—Power plant	$ 456 79	
Telephone and telegraph	18 00	
Power purchased	1,708 23	
Miscellaneous expense	421 16	
Repairs and maintenance—Refrigeration	1,087 49	
Transfer from other departments	206 04	
Transfer from other departments	652 33	
Miscellaneous expense	136 14	
Repairs and maintenance—Transfer	11 39	
Total	$4,697 57	
Ice Cream Manufacturing Expense—		
Telephone and telegraph	276 00	
Laundry	322 09	
Light, heat and power	90 85	
Repairs and maintenance—		
Buildings	1,509 54	
Brick cutting machinery	167 49	
Specialty machinery	253 54	
Water	1,054 92	
Miscellaneous expense	655 32	
Repairs and maintenance—		
Other machinery	929 61	
Tubs, cans, etc	238 21	
Insurance	26 34	
Total	$5,523 91	
Plant Expense—		
Laundry	$ 1,307 91	
Miscellaneous expense	2,985 08	
Repairs and maintenance—		
Buildings and structures	4,563 55	
Machinery—Power house	263 72	
Machinery, other	7,384 71	
Miscellaneous	640 38	
Travelling expense	254 56	
Stationery, postage, etc	183 23	
Water	1,387 07	
Handling of milk by outsiders	1,850 95	
Telephone and telegraph	210 06	
Light, heat and power	623 99	
Ice manufacturing	6 90	
Miscellaneous expense	229 11	
Total	$21,891 22	
Grand Total		$36,431 05

Minutes: Page 514—Line 42.
Subject:

ANALYSIS OF MILK SELLING EXPENSE DISBURSEMENTS

Delivery and Distribution Expense—		
Horseshoeing	$	627 41
Veterinary and medicine		48 80
Miscellaneous expense		7,182 41
Light, heat and power		338 79
Waste on route products		6,157 54
Stationery, postage, etc		905 84
Telephone and telegraph		328 84
Stable and livery expense		1,351 24
Laundry		95 16
Repairs and maintenance—		
Harness, wagons, etc		11,371 05
Buildings and structures		3,792 72
Machinery and equipment		178 50
Trucking, freight and express		100 01
Water		722 72
Automobile expense		12,127 41
Rent		307 73
Travelling expense		22 56
Forward	$	45,658 73

Minutes: Page 514—Line 42.
Subject:

ANALYSIS OF MILK SELLING EXPENSE DISBURSEMENTS

Delivery and distribution expense—			
Miscellaneous expense		(1 33)	
Total	$	45,657 40	
Property expense—			
Rent		95 00	
Depot and milk licences		23 54	
Total	$	118 54	
General sales overhead—			
Miscellaneous expense	$	1,410 89	
Transfer from other departments		(234 79)	
Complimentary finished products		9 60	
Books and magazines		74 47	
Bottle exchange expense		751 80	
Stationery, postage, etc		110 77	
Entertainment of customers		1 25	
Light, heat and power		105 00	
Total	$	2,228 99	
Grand total		$	48,004 93

Minutes: Page 514—Line 43.
Subject:

ANALYSIS OF ICE CREAM SELLING EXPENSE DISBURSEMENTS

General sales overhead—		
Stationery, postage, etc.	$	109 81
Miscellaneous expense		670 14
Travelling expense—Other		140 60
" " —Sales manager		475 56
Telephone and telegraph		483 36
Travelling expense		1,046 72
Telephone and telegraph		68 67
Entertainment of customers		122 92
Books and magazines		21 83
Automobile expense		1,788 96
Depreciation		245 04
Salaries and wages—Sales manager		3,069 50
" " —Office employees		2,966 65
" " —Salesmen		5,030 75
Transfer from other departments		79 24
Salaries and wages—Others		814 45
Total	$	17,134 20
Advertising expense—		
Total	$	5,641 49
Property expense—		
Total	$	13,443 04
Delivery and distribution expense—		
Miscellaneous expense	$	1,024 72
Repairs and maintenance—Harness, wagons, etc		879 70
" " —Machinery and equipment		118 47
Materials and supplies		280 35
Stable and livery expense		123 31
Horseshoeing		34 61
Telephone and telegraph		597 16
Light, heat and power		119 21
Automobile expense		17,983 61
Feed and bedding		981 31
Horseshoeing materials		104 30
Rent		52 36
Water		275 50
Repairs and maintenance—Buildings and structures		221 27
Stationery, postage, etc		63 12
Veterinary and medicine		4 50
Salaries and wages—Route salesmen		9,638 41
" " —Horseshoeing		196 41
" " —Stable and harness men		1,687 34
" " —Chauffeurs and helpers		3,338 25
" " —Miscellaneous		329 52
" " —Shipping clerks		3,080 10
" " —Commissions		5,336 96
" " —Miscellaneous		765 00
" " —Supervision		752 45
" " —Office employees		3,752 51
Trucking, freight and express		1,681 42
Freight and express—General		22 48
Insurance		101 79
Laundry		17 75
Group insurance		338 37
Travelling expense		59 39
Total	$	53,961 65

Delivery expense—Customers' service—

Repairs and maintenance—		
Ice and salt cabinets	$ 3,165 01	
Mechanical cabinets	12,863 38	
Salt used	6,877 10	
Automobile expense	80 53	
Installation—Ice and salt cabinets	247 90	
Rental	(78 00)	
Depreciation—Mechanical cabinets	25,730 60	
Ice used	3,877 70	
Transfer to suspense account	(25.710 60)	
Automobile expense	2,873 79	
Transfer from suspense account	25,710 60	
Total	$ 55,638 01	
Delivery expense—Dry ice shipments—		
Total	$ 849 26	
Grand total		$ 146,667 64

Minutes: Page 514—Line 52.
Subject:

ANALYSIS OF BOTTLE, BOX AND CAN LOSSES FOR 1932

Value of Container loss in 1932.

Bottles	$ 21,257 29
Boxes	1,391 71
Milk Cans	3,408 00
Ice Cream Cans	1,701 53
" jackets	600 00
Total	$ 28,358 53

Minutes: Page 518—Line 17.
Subject:

VALUES ADDED TO PROPERTY AS A RESULT OF APPRAISALS

Dec. 29, 1920	$ 741,858 91	Appraisal made by Canadian Appraisal Co., Mont. Que.
Dec. 31, 1922	62,166 97	" " " " "
Dec. 31, 1925	384,700 47	" " " " "
May 31, 1927	28,348 61	" " Board of Directors, Ottawa Dairy Ltd.
Nov. 30, 1928	5,719 62	" " " " "
Dec. 31, 1928	37,209 57	" " " " "
	$ 1,260,004 15	

Minutes: Page 518—Line 30.
Subject: Correction in Year.

I stated 1928, so 1925 must be a typographical error.

Minutes: Page 520—Line 18.
Subject: Correction in Name of Directors.

Mr. C. H. Labarge was not appointed a Director until March 19, 1929.

Minutes: Page 522—Line 30.
Subject:

BALANCE SHEET OF LAURENTIAN DAIRY LTD., JUNE 30TH, 1931

ASSETS—		
Property and Plant—		
Machinery, Delivery equipment and Furniture	$ 29,132 56	
Less Reserve for Depreciation	2,010 47	
Net Property and Plant		$ 27,122 09
Current Assets—		
Cash	17,830 93	
Receivable less Reserve	110,019 90	
Inventory Supplies	570 44	
Miscellaneous Stocks	125 00	
Total Current Assets		128,545 37
Prepaid Insurance and Taxes		829 02
Accounts awaiting distribution		2,159 11
Trade Marks, Patents and Good Will		30,019 96
Total Assets		$ 188,675 55
LIABILITIES—		
Current Liabilities—		
Accounts Payable	$ 29,137 96	
Accrued Accounts	811 98	
Total Current Liabilities		29,949 94
Capital Stock—		
2,338 shares ($100.00 par)		233,800 00
Surplus		(75,074 39
Total Liabilities and Capital		$ 188,675 55

NOTE:—Assets and Liabilities assumed by Ottawa Dairy Limited on July 1st, 1931, and paid for on December 29th, 1931, through the issuance of 1,500 shares of Common Stock at $100.00 par.

Minutes: Page 523—Line 12.
Subject: Amount paid by Borden Company for Ottawa Dairy Ltd.
There were 10,666⅔ shares of Borden Company stock, valued at $168 each, issued for the common stock of Ottawa Dairy Limited.

Minutes: Page 523—Line 39.
Subject: Correction in word "Sold" to "Cancelled".
6,300 shares of stock of Ottawa Dairy were "cancelled" not "sold".

Minutes: Page 524—Line 52.
Subject: Correction in amount of Cash Shipped by Canadian Companies to New York since 1928.
I was under the impression Mr. Spotton referred to Ottawa Dairy Limited, but find I should have answered as follows on attached sheet.

Minutes: Page 524—Line 52.
Subject: Correction in amount of cash sent by Canadian companies to United States since 1928.
The following statement shows that approximately $6,584,000 was sent to Canada from the United States during the five-year period, from January 1, 1928, to December 31, 1932, in the form of cash remittances, or as dividends to Canadian stockholders of The Borden Company. These were United States dollars. No premium or discount on cash transfers to Canada was charged to Canadian subsidiaries or to Canadian stockholders of The Borden Company.

The Borden Company did not receive any dividends from any Canadian subsidiary during the five years under review. However, there were inter-company transfers from Canada to the United States aggregating approximately $6,230,000. These were Canadian dollars and the discount suffered as a result of the transfer was borne by The Borden Company. This cash, to the extent of approximately $3,557,000, was either returned to Canada or disbursed for the account of Canadian subsidiaries. The excess of cash transferred from Canada over cash returned through inter-company balances was not sufficient to pay the dividends to the Canadian stockholders of The Borden Company by approximately $354,000 as the dividends paid in United States dollars to Canadian stockholders amounted to approximately $3,027,000. However, The Borden Company paid interest to its Canadian subsidiaries on money borrowed from the subsidiaries and the subsidiaries in turn, of course, paid the taxes due to the Canadian Government on such interest.

From the foregoing it will be seen that The Borden Company has not, during this five-year period, either received any dividends from its Canadian subsidiaries, nor has it received from them sufficient cash to pay the Canadian portion of dividends on its own stock.

NET CASH TRANSFERRED FROM UNITED STATES TO CANADA

Intercompany transfers of cash from United States to Canada	$ 3,557,127 62
Approximate average cash dividends paid by The Borden Company to Canadian stockholders	3,027,500 00
	$ 6,584,627 62
Intercompany transfers of cash from Canada to United States	6,229,635 75
Excess U.S. funds sent to Canada	$ 354,991 87

BALANCE SHEET—DECEMBER 31, 1932

Assets—		
Property and Plant—		
Real estate, machinery, delivery equipment, mechanical cabinets and furniture		$ 2,420,440 32
Reserve for depreciation		921,693 05
Net property and plant		$ 1,498,747 27
Current Assets—		
Cash	$ 64,125 47	
Accounts rec'le, less reserve	805,432 77	
Inventory—Products and supplies	67,308 12	
Marketable securities	491,932 74	
Total current assets		1,428,799 10
Prepaid insurance and taxes		379 49
Trade marks, patents and good will		30,019 96
Total assets		$ 2,957,945 82
Liabilities, Capital and Surplus—		
Current Liabilities—		
Accounts payable	$ 114,399 21	
Accrued taxes and pay roll	31,659 48	
Total current liabilities		$ 146,058 69
Deferred liabilities		(968 33)
Total liabilities		$ 145,090 36
Capital Stock—		
17,350 shares ($100.00)		$ 1,735,000 00
Reserves—		
Fire insurance		7,012 43
Surplus		1,070,843 03
Total capital, reserves and surplus		$ 2,812,855 46
Total liabilities, capital and surplus		$ 2,957,945 82

Minutes: Page 489—Line 20.
Subject: Cost of 12-quart metal case.

Cost of 12-quart metal case is $3.30 and not $3.50 as stated.

Minutes: Page 491—Line 25.

COMPLETE LIST OF BORDEN PLANTS IN CANADA AT DATE OF ACQUISITION

Ottawa Dairy, Limited, 393 Somerset St., Ottawa, Dairy and ice cream plant.
Ottawa Dairy Farm, City View, Ontario, Farm.
Cornwall Dairy Products, Cornwall, Ont., Dairy.
Moyneur Co-Operative Creamery, 8-14 York St., Ottawa, Creamery and wholesale produce.
Laurentian Dairy, Limited, 12 York St., Ottawa, Dairy.
Chateau Cheese Co., Ltd., 18-20 York St., Ottawa, Manufacturers of processed and cream cheese.
Baumert Co., Ltd., Huntingdon, Quebec, Manufacturers of cheese.
Pure Milk Co., Ltd., 181 John St. N., Hamilton, Dairy and ice cream manufacturers.
Renton, Ontario, Creamery.
Silverdale, Ontario, Creamery.
Hamilton Dairies, Ltd., 100 Vine St., Hamilton, Dairy.
Hamilton Dairies, Ltd., 163 John St. S., Hamilton, Ice cream manufacturers.
Selkirk, Ont., Creamery.
Jarvis, Ont., Creamery.
Caledonia, Ont., Creamery.
Tisdale St., Hamilton, Idle (formerly ice cream plant).
Borden's Niagara Dairies, Ltd., Magdalene St., Niagara Falls, Ont., Dairy and ice cream manufacturers.
Borden's Niagara Dairies, Ferry St., Niagara Falls, Dairy.
Walkerside Dairy, Ltd., 66 Monmouth Road, Walkerville Ont., Dairy.
Walkerville Dairy, Ltd., Felix Ave., Town of Sandwich, Idle (formerly delivery station).
Walkerside Dairy, Ltd., King St., London, Ont., Delivery station.
Walkerside Dairy, Ltd., King St., Chatham, Ont., Delivery station.
Wesgate Ice Cream Co., 215 Sandwick St. E., E. Windsor, Ont., Ice cream manufacturers.
Ballantyne Dairies, Ltd., 33 Pitt St., Windsor, Dairy.
Windsor City Dairy, 329 Dougall Ave., Windsor, Dairy.
J. J. Joubert Limitee, 4141 St. Andre St., Montreal, Dairy and ice cream plant.
J. J. Joubert Limitée, 920 Blvd. Decarie, Montreal, Distributing branch.
J. J. Joubert Limitée, 10734 Lajeunesse St., Montreal, Distributing branch.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Village), Milk receiving plant.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Pays Brule), Milk receiving plant.
J. J. Joubert Limitée, La Baie, du Febvre, Que. (Haut La Baie), Milk receiving plant.
Caulfield's Dairy Limited, 45 Howard Park Ave., Toronto, Dairy (main).
Caulfield's Dairy Limited, 2187 Yonge Street, Toronto, Dairy (discontinued June 30, 1931).
Caulfield's Dairy Limited, Greenwood Ave. and Long Branch, Dairy (discontinued June 30, 1931).
Caulfield's Dairy Limited, 381 Roncesvalles Ave. Branch, Retail store.
Caulfield's Dairy Limited, 639 Danforth Ave. Branch, Retail store.
Caulfield's Dairy Limited, 1966½ Queen St. East Branch, Retail store.
City Dairy Company Limited, Spadina Crescent, Toronto, Dairy and ice cream plant.
City Dairy Company Limited, Centre Island, Toronto, Branch selling depot.
City Dairy Company Limited, New Lowell, Ont., Dairy farm.
City Dairy Company Limited, Woodstock, Ont., Receiving station.
City Dairy Company, Limited, Embro, Ont., Receiving station.
City Dairy Company Limited, Toronto, Queen Street, Idle property.
The Drimilk Company Limited, Spadina Crescent, Toronto, Sales and executive offices.
The Drimilk Company Limited, Princeton—Manufacturing Plant, Sales and executive offices.
The Drimilk Company Limited, Courtland, Ont., Manufacturing plant.
The Drimilk Company Limited, Simcoe, Ont., Manufacturing plant.
The Drimilk Company Limited, Listowel, Ont., Manufacturing plant.
The Drimilk Company Limited, Straffordville, Ont., Manufacturing plant.
The Drimilk Company Limited, Villa Nova, Ont., Receiving station and mfg. plant.
Hall's Limited, Winnipeg, Manufacturing canned chicken meat, also frozen eggs.
Hall's Limited, Lindsay, Distributing offices.
Hall's Limited, Regina, Distributing offices.
Hall's Limited, Calgary, Distributing offices.

Hall's Limited, Windsor, Distributing offices.
Hall's Limited, Hamilton, Distributing offices.
Hall's Limited, Toronto, Distributing offices.
Hall's Limited, Ottawa, Distributing offices.
Hall's Limited, Montreal, Distributing offices.
Canadian Milk Products, Limited, Toronto, Administrative and sales office.
Canadian Milk Products, Limited, Montreal, Sales office and distributing.
Canadian Milk Products, Limited, Winnipeg, Sales office and distributing.
Canadian Milk Products, Limited, Vancouver, Sales office and distributing.
Canadian Milk Products, Limited, Keevin, Feeder station.

Brownsville—Manufacturing Powdered Milk, Corinth, Feeder station.
Belmont—Manufacturing Powdered Milk, Verschoyle, Feeder station.
Burford—Manufacturing Powdered Milk, Westminster, Feeder station.
Hickson—Manufacturing Powdered Milk, Glanworth, Feeder station.
Russell—Manufacturing Powdered Milk, New Durham, Feeder station.
Tillsonburg—Manufacturing Powdered Milk, Otterville, Feeder station.
Finch—Manufacturing Powdered Milk, Muir, Feeder station.

(Factories and Feeders located in Ontario).

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 13, 1933

No. 16

Reference,—Milk and Milk Products

WITNESSES:

D. L. Grabill, Manager of Montreal Dairy; J. L. Roberge, Montreal.

W. F. Jones, General Manager, Ottawa Dairy, Limited.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, April 13, 1933.

The meeting came to order at 10.30 a.m., adjourned at 1.15 p.m., and reconvened at 3.30 p.m., Mr. Senn presiding at both meetings.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Carmichael, Donnelly, Fafard, Hackett, Jones, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Sauvé, Senn, Shaver, Simpson, Spotton, Stirling, Thompson, Tummon, Weese, Weir (*Macdonald*), Wilson.

D. L. Grabill, manager of Montreal Dairy was called, sworn, examined and retired.

Witness Joseph L. Roberge was recalled, examined and retired.

W. F. Jones, general manager, Ottawa Dairy Limited, re-appeared and asked leave to make a reply to a statement made at the meeting of April 12, whereby it was alleged that instructions had been sent by Bordens Limited of New York to Bordens Limited of Canada to clean the books of the Canadian Company before the company should be investigated.

Permission being granted Mr. Jones made a statement as appears in the printed evidence hereto.

The meeting adjourned till Tuesday, April 18, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

April 13, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The Chairman: We have Mr. Grabill with us this morning, of the Montreal Dairy Company Limited, and if the Committee is agreeable, we will call Mr. Grabill first.

Agreed.

D. L. Grabill, General Manager, Montreal Dairy Company Limited, called and sworn.

Mr. Pickel: Mr. Chairman, with the permission of the Committee, I would like to read a couple of clauses from a bill which has been introduced in the Legislature at Quebec this month, in regard to the milk industry. I would like to give you first Clause 12: "The Minister may appoint a commission of not less than five members, nor more than seven, under the name of: Dairy Industry Commission of the Province of Quebec, and select its president and secretary; the latter may be chosen from among the members of the commission," and also Clause 13: "Such commission may: (*a*) Investigate and study the situation of the dairy industry and the dairy products trade in the Province of Quebec or elsewhere, and shall report thereon to the Minister; (*b*) Establish a scale for the guarantee to be given by milk dealers to their producer-suppliers."

We recognize, Mr. Chairman, that perhaps it is out of our jurisdiction to pass legislation establishing price to the producer, but we are a fact-finding body—we set out to find facts. We are furnishing the inspiration, and we are moulding public opinion to the extent that the Province of Quebec has now taken action. I think we may take this draft bill as an evidence of their intention to take action, and I would like to have these two clauses put in the record.

By the Chairman:

Q. Mr. Grabill, have you a statement to make?—A. I would like to use a few figures that I have with me.

Q. The Committee is ready to hear your statement.—A. Gentlemen, I am not a public speaker, but I will try to speak as clearly as possible. If you don't understand me, naturally I hope you will ask me to repeat.

Q. It is customary, Mr. Grabill, to allow a witness to give his statement without interruption, and examination will follow.—A. All right, sir.

Q. We will follow the customary practice.—A. We were rather surprised to see such detailed information about our company in the newspapers yesterday. We were disappointed that we were not called upon ourselves to give this information as it is available, and we have nothing to hide. I trust that the newspapers will give just as much publicity to our side of the story as they did to the other. You gentlemen certainly realize that the headlines and so on would not do our business any particular good. We not only buy from the farmers, we have got to sell, and if we don't sell it, we certainly can't buy; and the less we sell the greater the overhead charges.

The person who addressed you yesterday has not been connected with our company in any capacity for eighteen months. It is rather surprising how accurately he quoted figures.

By Mr. Bowman:

Q. Were they correct?—A. I will come to that later.

He was discharged in October, 1931, for good and sufficient reasons. The information, as far as we can estimate, is not correct, and I am sure you wish to be fair and just during this enquiry; and that you will be just as anxious as we are to listen to the figures in a fair-minded manner, and would give a just decision on our figures. As stated before, we are perfectly willing to give any information you desire, and to have any auditors come into our Company and examine our records as far back as they could locate them.

Now, I want to point out—I am just going by the newspaper figures as I did not have this printed copy of yesterday's proceedings—in September of 1931, we are supposed to have held back $1,370, which should have been paid to the farmers. Now, that is just a figure that is obtained by figuring the total receipts of milk at the full association price and then deducting from that figure the total obtained by using the average purchasing price. I do not see wherein that could be taken as money that should have gone to the farmers, that is just a figure set up—well, it is of no use to us really; I don't know why it was ever calculated. At that time the average association price for milk was $1.70 per hundred pounds and we paid $1.54; that is, taking our total receipts. I am not saying where that went, I will come to that later.

Witness further stated that our surplus was 538,089 pounds. I wish I could remember figures like that after eighteen months. And he said we paid as surplus 1,140,343, pounds, during the first nine months of 1931. That is absolutely incorrect as during this period we received 7,563,040 pounds and our total fluid milk sales were 5,261,776 pounds, leaving a surplus during these months of 2,301,264 pounds. During this period we paid the producer as surplus only 1,040,264—a little mistake there, you will notice, it was not 1,400,000 it was 1,040,343. We therefore absorbed the difference between what our real surplus was and what we paid as surplus; in other words this difference was paid at the full association price. The quantity absorbed was 1,260,921 pounds, that is the difference between these two figures. I have the figures here for the twelve months of 1931 which shows surpluses paid to the producer.

By Mr. Hackett:

Q. I would suggest that the witness repeat these figures, they are very important, and he has no copies for the committee.—A. Yes, I will repeat any figures you wish.

By Mr. Bowman:

Q. And the total receipts for the first nine months for 1931 was how much? —A. 7,563,040 pounds, and the fluid milk sales themselves are the net sales and not only include milk that was sold in bottles, but milk that was sold in cans, and also raw milk sales—that is, non-pasteurized milk of 5,261,776 pounds. The surplus for nine months was 2,031,264 pounds, and the surplus that we paid was 1,040,343. The difference which was absorbed is the difference between that one million and the two million roughly 1,260,921.

By Mr. Hackett:

Q. Does that mean that you paid for that at the price——A. At the association milk prices.

Q. At the association prices?—A. Yes. Now, for the twelve months the total receipts were 10,250,348 pounds; the fluid milk sales 7,451,174, therefore

the surplus was 2,799,174 pounds. You will note it was approximately 27·3 per cent. We paid the producers a surplus of 1,338,695 pounds. The surplus absorbed was 1,460,479. We have tried to be as fair to the producer as we possibly could, and in spite of that we took a loss. Surplus, as you probably know by now, is caused by a change in weather conditions. On a rainy day the drivers do not sell as much. Some of our large customers' quantities vary almost terribly, you might say. We have some customers who buy as much as 43,000 pounds of milk in a week, and the following week they will 'phone us on Saturday, for instance, and the following week they won't take anything. That is 43,000 pounds of milk that we have got to skim.

By the Chairman·

Q. Those are bulk sales?—A. Those are bulk sales, but we pay for it at the fluid milk prices, and it has not been our policy to telephone producers on Saturday evening and tell them that we do not want any milk on Monday. We try and give them reasonable notice. Sometimes it has only been four days, but I just cut off some shippers in March, and we gave them, I think it was, fourteen days in which to make other arrangements about their milk. Some of them wrote us back that their separators were out of order or something, and asked us if we would take their milk and pay the surplus price, and we agreed to do it, and that is just what we did in two or three cases; we do not particularly need their cream, as we have four creameries of our own in the country.

We also avoid carrying any milk over from one day to another. For instance, to-day we have not got in our holding tanks the day after to-morrow's milk, which is the practice very widely. We are trying to have our milk as close to the consumer as possible from the source, and that explains why we attempt to buy as large a quantity as we may possibly require, the largest day's sales. We have always got the largest day's sales coming in. At that time their buying policy was not very clearly defined. I would point out that the buying policy since September, 1932, we decided to take the months of November, December, February and March and to average the two-weekly or half-monthly shipments from each farmer during that period, and over and above that quantity, if it was necessary, we would call it surplus. In other words, if our fluid milk sale would not absorb any more than just the total amount obtained by taking this average which is figured for each farmer, then the difference was paid at surplus; so that where a man shipped us the same quantity in the winter months as the summer, he would not have any surplus: and we have other shippers who give us more milk in the winter than in the summer. They are running their business very well, because they get the highest price when they have the largest quantity of milk. Others who are careless, and give us half a can of milk a day in the winter time and five cans a day in the summer time, they are not business men, and they are treated as such. Our producers all understand this policy. They all understood this policy since the month of September. We told them we would take the winter months and figure their basis; and in the months of November and December when there was a certain shortage of milk in Montreal—which was only a fictitious shortage—but there was for a while, we had no difficulty in taking shippers away from other companies, not the large companies, the smaller companies, and after they shipped their milk to us, because they knew they would get paid on time, that they were not going to ship three month's supply of milk and get nothing. Whatever the price was, they were going to get it. There has been some talk about spread between the selling price and the purchase price. In 1931, when prices for milk were rather high, we were selecting our four per cent milk which we were selling at the regular retail price of

11 cents (the regular large dealer's price for good milk was eleven cents) and this included a special sanitary cover cap. Our regular supply of milk was sold retail at nine cents, two cents below the other large distributors in Montreal. This was continued until April, 1932, when our special milk was reduced one cent, and our regular milk was not reduced, so it was only one cent below the other large distributors.

By the Chairman:

Q. What you call your regular milk would be containing sufficient butterfat to comply with the by-law?—A. The by-law is only 3·25. We have never put out milk less than 3·5.

Q. You do not step it up or down at all?—A. We don't step it down at all, but we step it up by purchasing jersey milk. We feel therefore that we have stepped over something. We were still paying association prices, so our spread during this period was from 10 to 20 per cent less than other distributors for a certain quantity of our milk. In the fall of 1932 (that is last fall), when the regular price was raised to eleven cents, we did not raise our price. We remained at 10 cents, so that our spread was still reduced from the other distributors. This policy was continued until the regular retail price was reduced to nine cents on February 27, 1933, when we also reduced our price to nine cents, and we are now selling at what is considered the regular price of milk in Montreal, retail, nine cents. We, therefore feel we have always given the public the fair retail prices, and you will note that during these years our spread was considerably lower than some of our competitors.

Now, in purchasing milk—I will just go over a few of these things, so it will be fresh in everyone's mind—you will note that we buy on the basis of 100 pounds, but we sell on the basis of 103. There are 38·8 quarts of milk in 100 pounds, and not 40 as is commonly estimated. This means that we really should add three per cent to our actual purchase price, in order to compare it with our retail selling prices. I would also point out that a considerable quantity of our milk is sold to stores at two cents below the retail price.

By the Chairman:

Q. That is your regular milk, I suppose?—A. Both. Both milk is available in the stores. And in cans at a great deal lower price. Besides this, institutions, hospitals and relief associations have several prices. Relief associations are buying milk for seven cents a quart, and four cents a pint in Montreal to-day. I think that is about all I have to say in answer to this statement of yesterday.

By Mr. Bowman:

Q. Mr. Grabill, you have stated quite emphatically that the statements which were made by Mr. Roberge the day before yesterday were false?—A. Incorrect.

Q. Well, incorrect or false. Have you with you the books showing the amount of surplus settled for during the months in dispute, which were the months of January, February and so forth down to September, 1931?—A. Yes. I have the amount of surplus paid right here.

Q. That is a statement which has been made up since?—A. Well, it is taken from our books so it would be understandable; if you would like to examine the books and compare the figure, we would show the figure and how we get it to anyone.

Q. Are the books there?—A. Yes, I have the books here from 1931.

Q. Now, for 1931, will you give, according to the books or records, what was the amount of surplus actually charged to the farmer?—A. In the month of January, 65,467 pounds.

Q. Now, that corresponds exactly with the figure given by Mr. Roberge?—A. Yes.

Q. Have you any figure in your records which would correspond with the other figure given by Mr. Roberge with respect to that month, showing what he claims to be the actual surplus and which was set out by him as 35,520 pounds?—A. I don't know how he figures that.

Q. You don't know how he figures that?—A. No.

Q. Have you anything in your records which would correspond with that figure?—A. What was that figure?

Q. 35,520 pounds as being the actual and true surplus for that month?—A. No. There is no such figure here in the month of January.

Q. There is no such figure; in any event, Mr. Roberge was correct when he said that the surplus settled for was 65,467 pounds?—A. Well, if that is what is in this copy of the proceedings, I assume it is correct.

Q. Would you look at page 469, please?

By the Chairman:

Q. You stated it was correct.—A. Yes, I think it was correct. Page what?

Q. At page 469, at the middle of the page.—A. That is the figure that I have here, 65,467.

Q. Now, will you take the month of February of the same year?—A. 62,455.

Q. 64,455, and if you look at the top of page 470 you will find that that corresponds exactly with the figures given by Mr. Roberge.—A. Yes.

Q. Now that, according to Mr. Roberge was what the Company charged to the producer as surplus, and corresponds exactly with the figures in your books.—A. That is right.

Q. Yes, that is right, have you any figure in your records which would correspond with the figure given at the bottom of page 469, where, in answer to a question by Mr. Tummon: "Because that company charged 100 per cent more for surplus than they really had. Now, what about February? How much actual surplus was there?—A. 12,550 pounds?"—A. No, there is no such figure in our book.

Q. There is no such corresponding figure in your book. Now, will you turn to the month of March. What do your records show as being the surplus supplied for and charged to the producer?—A. 86,817 pounds.

Q. If you will turn to page 470 you will find that that corresponds exactly also with the statement made by Mr. Roberge.—A. That is right.

Q. Have you any corresponding figure for that month as shown by Mr. Roberge as the real and true surplus as was stated by him, 20,572.—A. No, sir.

Q. Will you take the month of April; what according to your records is shown as the amount of surplus charged to the producer?—A. 135,503.

Q. 135,503—now that again corresponds exactly with the figures given by Mr. Roberge.—A. That is right.

Q. Correct, so that apparently so far as we have gone in this respect, these figures Mr. Roberge has been exactly correct.—A. Strangely correct.

Q. I beg your pardon.—A. Strangely--accurately correct.

Q. Strangely—accurately correct; well then, what were your figures for May?—A. 96,834.

Q. The figures which is entered here is 196,834.—A. I see that, I just wondered whether somebody made a mistake in subtraction and so forth.

Q. I beg pardon?—A. I just wondered if one of us made a mistake in subtraction. I would look as though our figure was correct. I would have to do some figuring.

Q. Would you just give the figures to the Committee so that we may perhaps make the calculation?—A. Let us see whether I can or not. I don't think

I can without an adding machine, I have to add about 300 figures, that is the only way I can figure it. These figures are correct because they were balanced yesterday, and they cross-checked with our books, so that in that item there will be a difference of 100,000 between this and the figure that you have.

Q. I notice that.—A. In the figure that Mr. Roberge gave.

Q. Well, we will take——A. There was a difference of 100,000, which is exactly what this is here. I would not quibble over it, because I could find out. It would not matter much one way or the other, because it does not mean much in a volume of several million.

Q. We will take an opportunity probably a little later of checking that one figure out. I would like, if possible, to get the details so that we can check that.—A. I would be glad if I can settle that myself. I will certainly see that they are sent up here and certified if you wish them. If you would like to give me a few minutes I might do it now, if not, we will have them sent up.

The CHAIRMAN: I notice, Mr. Bowman, that the difference carries right down through to the totals.

The WITNESS: Yes.

The CHAIRMAN: So that they are evidently a mistake.

Mr. BOWMAN: In any event, I don't know that the amount is so very important.

The WITNESS: I don't think it matters, Mr. Bowman, it might just be a stenographic error, you know.

By Mr. Bowman:

Q. All right. Take the following month, June; what do your books show as daily surplus settled for?—A. 162,154.

Q. 162,154, which again corresponds with the figures given us by Mr. Roberge.—A. Yes, sir.

Q. Have you anything in your records showing the actual and true surplus for that month as alleged by Mr. Roberge to be 109,830?—A. 109,830? No, I havn't that figure.

Q. No, for the month of July what do your figures show as being the surplus charged the producer?—A. 146,827.

Q. The records show 156,827—I understand that that is a typographical error, and that it should be 146—so that that, too, corresponds with the figures given by Mr. Roberge. Taking the month of August, what figures do you show in your book as being the month charged the producer?—A. 147,661.

Q. And for the month of September?—A. 136,625.

Q. 136,625, again corresponding with the figures given by Mr. Roberge. Now, apparently, Mr. Roberge has had true information with respect to the surplus actually settled for during this nine months period.—A. It would appear so.

Q. It would appear so. And if, as alleged by Mr. Roberge the Company were—and I don't make this as a statement—following the method which he has alleged, naturally there would be no record in the books showing the false figure?—A. Well, these are the original figures that I have right here.

Q. Yes.—A. And they are made directly from the receiving sheets, you see.

Q. Yes.—A. They are not typewritten figures, this is the original book. We dug it out of the attic, and we haven't looked at it since.

Q. Quite true. Now, at this period of 1931 were you in the employ of the Company?—A. Yes, sir.

Q. Did you, personally, have anything to do with the making up of the records in question?—A. No, sir.

Q. So that your information has just come by an examination of the record?—A. Yes sir; and with a previous examination by our accountants in our office.

Q. Yes. During that particular period, the nine months which are in question in 1931, who was responsible for keeping a record of and entering in your books the figures with respect to surplus?—A. Mr. Roberge.

Q. Mr. Roberge himself?—A. Yes, sir.

Q. Now, the book which is before you, and which I understand to contain a record of this surplus, is made up in what way?—A. In what way?

Q. Is that the original book of entry; that is, did Mr. Roberge at the end of each day enter into that book directly the figures showing the surplus settled for?—A. If he didn't he instructed the clerk to, that is certain. These are ink figures, they are not typewritten—some are in pencil, I think.

Q. Just explain to me just what the procedure is with respect to that book; that is, the making up of the contents of that book?—A. Well there are so many pounds of milk weighed in from each shipper on a receiving sheet, and marked down so many cans at so many pounds. At the end of the day these sheets are totalled and the figures are placed in this book.

Q. Yes, that is the point I am asking; that is not the original book of entry? —A. It is the original for the total day's receipts.

Q. Quite true, but the total day's receipts are made up from receiving sheets?—A. Those are more or less scraps of paper, they are not printed forms, you know.

Q. Not printed forms?—A. We have them printed now, at that time they were just run off on a Gestetner machine.

Q. Have the company still these memoranda?—A. I would think they have.

Q. And they would have no objection to them being produced?—A. None whatever.

Q. I would suggest, Mr. Chairman, that they be produced for inspection by the members of the Committee; I am referring of course to the documents from which these final figures are compiled?—A. Yes, sir; I understand very well.

The CHAIRMAN: This witness agrees to produce them?

The WITNESS: Yes, sir.

By Mr. Bowman:

Q. At this period, from January to September, 1931, who were the persons who might have these original memoranda?—A. Well, I think we still have one of those men with us, they are employees in the plant; workmen, partially skilled workmen. I could find that out.

Q. What position do they occupy, what are their duties?—A. Well, the one at the door, all he does is weigh the cans and mark down the number; the weight of the can and the total gross weight of the container and the contents. Then he just pushes it along over to the second man who removes the covers and samples the milk.

Q. I don't want the duties of all those men; but I want the duties of the man who makes the figures which are final?—A. That is all he does—he weighs the cans full, and we know the weight empty; and both these weights are put down.

Q. To show the receipts?—A. To show the receipts.

Q. Yes, but who is it that gives you the figures with respect to the sales so that you know what surplus you arrive at?—A. Well, that is taken from analysing the number of quarts, pints and gallons of milk sold which are totalled up daily, and then monthly—he takes the monthly sales of milk in pounds.

Q. Who does that?—A. That is done in the accounting department.

Q. In the accounting department?—A. Yes.

Q. So that these surplus figures are not made up by the man actually in the plant?—A. Well, in our office.

Q. In your office?—A. The office is right above the receiver.

Q. Yes, you have an oridinary workman or labourer in the plant who figures up the receipts?—A. Right.

Q. Then from your accounting office you get the loss for the day?—A. Yes.

Q. So that it is a combination of these two returns which gives you the surplus entered up in your book?—A. Yes, sir.

Q. Who is it that finally makes that calculation from which these records are made?—A. At the present moment?

Q. No, not at present but at that time?—A. I would not be surprised but what Mr. Roberge did that; I think he did it.

Q. You think it was Mr. Roberge?—A. Yes, I think so. He didn't total up the sales, mind you, but he took the sales and compared them with the receipts.

Q. And arrived at the figures which finally went into these books?—A. Those figures are not in this book.

Q. No, but I say, "finally arrived at the figures which are in the book"?—A. Correct.

Q. So that to your information at the present time Mr. Roberge himself was responsible for the figures which were entered up in this book of surpluses.—A. Right.

Q. That is correct, exactly; Mr. Roberge should have possibly the best knowledge of anyone in your Company with respect to the figures which are entered in that book.—A. He might have a knowledge of that.

Q. But, in the ordinary course of events, he should have the best knowledge.—A. If he had had the best knowledge he would still be with us probably.

Q. Is there anybody else in your Company who, because of his position, during that particular time would have a more accurate knowledge of these figures than Mr. Roberge, and of their correctness.—A. Not particularly, I don't believe so.

Q. No. Why do you say "particularly," or question the statement made by Mr. Roberge?—A. Well, because.

Q. Speaking as a witness and from your knowledge.—A. Because they don't agree with our figures.

Q. No, but strangely they do agree with the actual surpluses which have been paid by your Company.—A. That is right.

Q. As far as you were concerned, you were only giving your evidence from the records which appear before you.—A. Well, these are the only figures.

Q. These are the only figures, but you yourself have no accurate personal knowledge as to whether these figures are correct or incorrect.—A. Except that they tied in with our financial figures, and were audited.

Q. But your statement is that the surpluses which are contained in this report are taken from some other documents of which this only represents the final record.—A. That is right, but we have the other documents.

Q. But you yourself personally have no knowledge of the truth or the untruthfulness of the statements made by Mr. Roberge, except as they are contained in the book before you at the present moment.—A. And these papers, yes, sir.

Q. What papers?—A. These summary papers which I have here.

Q. The summary paper figures were made up by our accounting department as taken from the records of the Company.—A. Taken from this book here.

Q. From that book?—A. Yes, sir.

Q. Is there anybody else in your Company—taking it for granted, as we must from the evidence you have given, you yourself have no personal knowledge of these figures at all save by copy of the record—is there anybody else in your Company who would have a more accurate or correct knowledge of the figures in question than Mr. Roberge himself.—A. Well, we still have the same accountant that we had at that time.

Q. Yes, but the accountant would only take the figures that came to him, he would not go back and actually check up.—A. If the figures did not balance he certainly would, and the plant superintendent also. You see, the receipts have got to balance with the disposals and show a reasonable loss, if the loss is out of line, well, they are certainly going to be checked back very thoroughly.

Q. Of course, but these differences, if we accept the story given by Mr. Roberge, were all favourable to the Company.—A. Well, I think I could state figures favourable to the Company in the same manner.

Q. Yes, along the same line?—A. Well, I don't know whether the figures would be exactly the same or not; I would have a little different idea as to how to draw them up, and I could probably figure it after I sat down after the day's work to figure out. I am giving the figures as we have them, and as we are willing to certify them.

By the Chairman:

Q. Mr. Grabill, what do you mean when you describe your milk as fluid milk?—A. That is the term used, I believe quite generally, for milk which is pasteurized and sold in bottles or cans to the consumer—direct to the consumer, either store or private houses.

Q. You and Mr. Roberge have fairly well agreed as to the amount of surplus milk which was charged to the farmer for these nine months. Can you tell me how that milk was disposed of?—A. Some of it went into the ice cream; some went into butter; and some went into the various grades of cream that we sold.

Q. Can you give me any idea of the proportions which went into these different channels?—A. What month would you like, sir.

Q. Well, any month that would be an average month would do; you could give me for the whole nine months, I suppose.—A. Well, I haven't got it. Let me see whether I have it totalled up or not. No, I haven't got it totalled up here, that is why I can give it to you for any month, but not for the nine months.

Q. What proportion, for instance, would be disposed of as sweet cream.—A. In April—I can only give you this statement approximately without adding it down here carefully—in April our total receipts were in the neighbourhood of 840,000 pounds, and there was some 38,000 pounds that went into cream.

Q. Well, that 38,000 pounds, I suppose, was settled for as surplus milk, was it?—A. Well, I could not say that that particular 38,000 pounds was, no. You see, in April what we paid as surplus was 135,000 pounds, but our actual surplus was a great deal higher than that. You see, in April we received, as I stated, some 840,000 pounds of milk, and we only pasteurized 560,000 pounds of milk, do you see? Now, all of that that was pasteurized was not sold, and it is only that part which is actually sold and for which we enter the amount payable that is called fluid milk. The surplus that we put into that cooler, for instance, to make provision for the special needs of our customers and which never goes out of the cooler—it is just bottled—and if it is not sold that day the following morning the first thing that cooler is cleared and every bottle is uncapped and the contents dumped out. That is not called fluid milk, that is just called surplus.

Q. You are one of the parties, I suppose your company is one of the parties to the tentative agreement with the producers' association from time to time? —A. Yes, sir.

Q. Was it a practice to settle milk that was transformed into sweet cream at the association prices?—A. Well, I don't know the policy of other companies.

Q. What was the arrangement with your company?—A. There was no arrangement.

Q. You were allowed to do as you liked about settlements for that milk. —A. For milk that went into cream, yes.

Q. Do you think that that was the intention, or the understanding, of the producers' association?—A. I don't know.

Q. I think, surely, if you have an arrangement, and if you agreed to an arrangement between producers and distributors you should know whether——A. My understanding of it is that we pay at the full association price for milk that is sold as milk.

Q. And what do you pay for milk that was sold as sweet cream?—A. There is no arrangement, to my knowledge.

Q. That scarcely compares with the evidence which has been given by other companies.—A. If you wish to consider the arrangement as followed by the butter market—that is the basis that we follow.

Q. No, no, that is not what I mean at all; the larger companies have told us from time to time that they settle for the milk that was disposed of as sweet cream at association prices. Evidently you don't follow that practice?—A. Some of them may do, but, as I stated here, our surplus at that time was practically 300,000 of milk in the month of April, and we only paid the producers the surplus price on 135,000 pounds of milk and there were 160,000 pounds of milk which was paid for at the full association price, while the milk that went into cream only amounted to some 38,000 pounds; so that we certainly paid the association price for far more milk than what went into sweet cream.

By Mr. Bowman:

Q. What were your total receipts for the month of April about which the Chairman was speaking?—A. 837,861 pounds.

Q. Consequently your surplus during that month was in the neighbourhood of 40 to 50 per cent of your total receipts.—A. Our surplus was 135,000 pounds.

Q. No, no; the actual surplus.—A. Our actual surplus was almost 300,000 pounds of milk, that is over and above the quantity pasteurized. I haven't got the net sales right in front of me, but they would make it still larger than that, because of the quantity pasteurized which was not sold.

Q. The Chairman is asking what your understanding was with the producer; take, for instance, during that particular period, what was your understanding with the producer?—A. That we would pay for the milk that was sold as fluid milk at full association prices.

Q. What about surplus?—A. That surplus would be paid at the butter price. During that period—I am talking about April—during the first half of April we paid our surplus at $1.10 per hundred.

Q. And the association milk?—A. The association price was $2.03.

Q. And $1.10 for surplus?—A. Surplus, that is what we paid. The other dairies may have paid a different price for their surplus, there is no agreement as to the exact price; you see what I mean.

Q. And are we to understand from your evidence that you gave the producer actually, during that month, credit for almost 150,000 pounds of milk in excess of what he was entitled to at association prices?—A. We paid to our shippers during that period that quantity of milk, yes, sir.

Q. Well, I am correct, that the answer to my question is "yes."—A. Yes.

By Mr. Hackett:

Q. Will you explain to the committee how the figures are arrived at for each day; let us take a Monday morning in January, 1931. You receive a certain amount of milk, and the milk is weighed by the door, is that correct?—A. Yes.

Q. These figures are given to whom, or at that time were given to whom—Mr. Roberge?—A. Either Mr. Roberge or one of his clerks.

Q. When are the figures— —A. Just excuse me there. They may have gone to the plant superintendent first and then to Mr. Roberge, but Mr. Roberge was the man that figured them out, and totalled them up.

Q. When are the figures for a day completed?—A. Well, it may be three days before they are finally completed, because that milk goes out and comes back as returns and is separated, you see, and the cream is disposed of. The cream might stand there a day before we decided whether we wanted to use it either as cream, table cream, or butter, if it was sour, or in ice cream.

Q. Do you attempt to follow the identity of the milk to its final disposal? —A. Not the individual can, no.

Q. No, but the individual day's receipts?—A. Yes.. Say for instance here, on a day in April, we have so many pounds received, so many pounds pasteurized, they didn't make any bottles of cream with it, they made some ice cream, and they didn't send any over to the butter room, but there was some skimmed, you see. Now, the following day very likely that cream was disposed of in butter. That is shown on our butter receipts. It is not shown on here, because we just show the skim; whether the result of that skim went to ice cream or butter, I would have to go back and get the actual working sheets of that following morning.

Q. What happens to the milk that you pasteurize and is not sold from the cart on the day that it goes out?—A. Sold from the wagon? There is some that remains in the cold room. There is a surplus there, and each driver loads the surplus also, and his returns are sent, in our plant, into the basement, with the surplus that was in the cold room, and each bottle individually opened and dumped. If the milk is still sweet, it may go into ice cream.

Q. It never goes onto the wagon again?—A. Never goes back onto the wagon as milk.

Q. Going back to the earlier question, how long does it take you to get a complete record of the milk which comes into your plant on a given day?—A. I would say about three days ought to be the outside.

Q. That is, milk received on Monday morning should be finally accounted for on Wednesday?—A. Wednesday or Thursday. Monday they may be behind. The plant operates on Sunday and the office does not.

Q. At the conclusion of your testimony, you told Mr. Bowman that your testimony rested entirely on the information disclosed by the books?—A. Yes; and my knowledge of our dairy practice, which is essentially the same now as it was in 1931, with the exception that I pointed out that last September we inauguarated a new system of our purchasing.

Q. We are talking about the year 1931?—A. Yes.

Q. And you have told the committee that you have no knowledge, and no means of knowing what the accuracy of the figures is that are in the records?—A. No, except that I have the original records, the original weighing record at the door, and from there the accumulation sheets, and from there our disposal sheets.

Q. But again you told Mr. Bowman that you have no means of checking the accuracy of those records?—A. Well, I can't go back and get the can of milk that was weighed. I have only the character of the employee, who is still with us.

Q. So that when you characterized Mr. Roberge's testimony as erroneous it is erroneous only to the extent, so far as your testimony goes, that it does not coincide with your records?—A. No, sir.

Q. That is all that you can say?—A. Yes.

By Mr. Pickel:

Q. Mr. Grabill, how long has the Montreal Dairy been functioning?—A. I think about twenty-three years.

Q. It has been refinanced and reset up?—A. I suppose it has.

Q. How long have you been with the company?—A. A little over five years.

Q. What official position do you occupy?—A. I am the manager and secretary.

Q. What is your salary?—A. My salary is $4,200 a year.

Q. What other officials are there connected with the company, whose salaries you can give us?—A. I could give you quite a number. Our office manager has the next highest salary, and I think he receives $250 a month, that is $3,000 a year.

Q. Who is the president of the company?—A. The president is Mr. C. H. Catelli.

Q. What is the capitalization?—A. We have $1,000,000 first mortgage gold bonds, and $500,000 general mortgage bonds. There is 31,520 shares of no par value non-voting stock.

By the Chairman:

Q. Issued?—A. Just a minute, I just want to get this straight, now. No, that is not issued.

Mr. PICKEL: I withdraw the question for the time being, until we clear up the other.

The CHAIRMAN: Yes.

Mr. TUMMON: I believe it would be better, and more satisfactory to the committee, if we stayed on one point and cleared it up first.

The CHAIRMAN: I think you are perfectly right about that, if you want to go into anything of the capital structure.

By Mr. Bowman:

Q. I suppose you would have no objection to Mr. Roberge's having a look at the books, in giving his testimony?—A. Has he any right?

The CHAIRMAN: They are committee books at the moment.

The WITNESS: If they are committee books, why, they are at your disposal.

By Mr. Bowman:

Q. I presume you would not object, in any event, would you?—A. Well, we do not, as a rule, allow everbody to examine our books. But last year when the provincial government were in, they had full freedom of the office.

Mr. MCGILLIS: May I ask a question, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. McGillis:

Q. In the month of April, 1931, you said that you had somewhere in the neighbourhood of 300,000 pounds of surplus milk, but you charged the producers back 135,000, and you paid for the rest at association prices; how did that come about?—A. Well, as I say, that milk was used in sweet cream and in ice cream.

Q. Do you usually buy all the milk you use in sweet cream and ice cream at association prices, all the time?—A. You see, we don't set up and say that so many pounds of that producer's milk, of a certain producer's milk went into milk and ice cream and sweet cream and butter. That would be a very complicated accounting system. We strike an average, a fair average, and we allow him for the quantities that went into ice cream and went into sweet cream. If we were only an ice cream company, we would not be buying milk at the association price.

Q. But then there is a lot more milk than is sold as fluid milk that is paid for at association prices at all times by your company?—A. Yes; as I pointed out, in that year there was half of our surplus.

The CHAIRMAN: Any further questions?

By Mr. Bowman:

Q. Just one question—you have given us the figures month by month during the nine months from January to September, 1931. Would you just give us the total surplus during that period, according to your record, surplus accounted for and paid for?—A. You mean paid for? Some one has that.

The CHAIRMAN: You gave it some little time ago. The reporter has it. I can give you the figures that you gave but you may not be willing to accept that. You gave us the surplus as 2,301,000 pounds.

The WITNESS: That was nine months?

The CHAIRMAN: Yes.

The WITNESS: You are talking about nine months?

Mr. BOWMAN: Yes.

The WITNESS: The actual surplus?

By Mr. Bowman:

Q. I just want to verify the figures.—A. It was 2,301,364.

Q. What was the amount paid for?—A. It was 1,040,343.

Q. And was absorbed by the company?—A. The difference, 1,260,929.

Q. Now, during the month of September, what were the actual receipts; that is 1931?

The CHAIRMAN: I think, Mr. Reporter, when these questions are being asked, the witness has a right to that statement.

The WITNESS: I don't think the month is on there, so it is all right. The month is September?

By Mr. Bowman:

Q. Yes.—A. You want our total receipts?

Q. Yes.—A. 856,251 pounds.

Q. If you will refer to page 472, you will note that those are the exact figures given by Mr. Roberge?—A. Yes.

Q. For that month; and how much is pasteurized during that month, according to your records—A. 670,976.

Q. If you will refer just below, at page 472, below the figures to which I referred a moment ago, you will note that Mr. Roberge stated that during that month you pasteurized 818,751 pounds?—A. We didn't pasteurize any more than this quantity that I have given you, for milk sales.

Q. I am not talking about milk sales. I am talking about total pasteurization.—A. Pardon me, you know that everything of the ice cream mix is pasteurized, and the table cream is pasteurized.

Q. Will you give me the total pasteurization for the month of September? —A. As sold as fluid milk, 670,976, that was bottled and put into cans.

Q. Yes?—A. Outside of that, there were certain quantities used for cream, a certain amount used for butter, and a certain amount used for ice cream.

Q. What is the total pasteurization, then?—A. Well, that is the pasteurization, Mr. Bowman.

Q. No, but the total pasteurization; have you no figure in your books which corresponds with the statement made by Mr. Roberge?—A. No.

Q. That the pasteurization during that month was 818,751 pounds?— A. No, I have no such figure.

By the Chairman:

Q. Would they total to that, Mr. Grabill?—A. They may.

Q. Oh, well.

By Mr. Bowman:

Q. The 670,976 pounds does not include what went into ice cream and those other things?—A. No, it never does, the pasteurized quantity.

Q. At the same place Mr. Roberge stated that at that time, at that month, the company skimmed 37,500 pounds; have you any record of that?—A. Yes, I have the skimming here.

Q. Is that right?—A. It is 82,570 pounds.

The CHAIRMAN: Any other questions? Are the committee ready to let the witness step aside for the moment?

Mr. HACKETT: Yes.

Mr. BOWMAN: Just leave the books there, please, Mr. Grabill.

Witness retired.

The CHAIRMAN: Now, we have Mr. Roberge.

Mr. BOWMAN: Call Mr. Roberge back, please, Mr. Chairman.

JOSEPH L. ROBERGE, recalled.

The CHAIRMAN: Mr. Roberge, you are already sworn. What is the wish of the committee?

By Mr. Bowman:

Q. Mr. Roberge, you gave certain evidence to the committee the day before yesterday, and you have since had the advantage of listening to the testimony of the previous witness. Do you wish to, in any way, retract statements previously made by you?—A. No, sir.

Q. Having the advantage of the books before you, will you show first for the month of January how the difference was made up in the actual amount of surplus and the surplus settled for?—A. Yes.

Q. Will you do that?—A. Yes.

By the Chairman:

Q. Mr. Roberge, before you commence, are those your entries?—A. Yes.

Q. You are responsible for those entries?—A. Yes.

Q. From what? How were those entries arrived at, or where did you get your information?—A. They are from the different departments, from the receiving milk department, or the pasteurizing department, from the skimming department.

Q. And did they come direct from those departments to you, or through some other hands?—A. They came through me.

Q. Directly to you?—A. To me, yes, direct.

Q. From these departments, and not through the hands of any superintendent or any other official of the department or organization?—A. Sometimes it might happen that the superintendent might ask for them.

By Mr. Bowman:

Q. I didn't just get that; what was that again?—A. Sometimes the superintendent might ask for them before I got them. It does not happen very often.

Q. Take any particular month, and tell us what the practice is with respect to making up those figures?—A. Well, you see, I used to receive reports, so many pounds of milk received from the farmers, and so many pounds received from the factory, and so many pounds of milk returned by the customers, otherwise by the milkman. You take for instance the month of January, we have received from the farmers 414,545 pounds of milk.

Q. Just a minute, during the month of January—you are talking now about the year 1931?—A. 1931, yes.

Q. From the farmer— —A. We have received 414,545 pounds; and from the factory, 248,451 pounds. Then the returns from customers, that means returns from milkmen, that is milk not sold, 25,730 pounds. That makes a total of 688,726 pounds. Now, we have the company used for pasteurizing 554,423 pounds of milk. They used to standardize the homogenized cream, 30,630 pounds; they used to standardize table cream, 6,040 pounds; they used to standard whipping cream, we call that heavy cream, 400 pounds.

Q. Whipping cream?—A. Whipping cream. We used for the butter, 3,750 pounds; we used for the ice cream, 21,442 pounds. Now, we skimmed 61,250 pounds, and there is a loss in the pasteurizing, 19,641 pounds.

Q. What was the last?—A. That is the loss.

Q. 19,641?—A. 19,641 pounds. You see, there is a difference.

By the Chairman:

Q. What does that total to?—A. That is 697,576.

By Mr. Bowman:

Q. Yes.—A. The first of January we had on hand from the previous day—

Q. Just a minute, that amounts to more, does it?—A. Yes, that is all right. That is what I am coming to.

Q. You are going to explain that?—A. Yes. The first of January we had in the tank on hand 18,350 pounds to be added to the total received.

Q. 18,350 pounds?—A. Yes.

By the Chairman:

Q. From the previous month?—A. From the previous month, we had that on hand in the tank, and at the end of the month we had on hand in the tank, 9,500 pounds; that amount exactly.

By Mr. Bowman:

Q. 9,000 what?—A. 9,500 pounds.

Q. That makes the exact balance?—A. If you take the skim, what we skimmed, 61,250 pounds.

Q. Yes?—A. If you take off what has been returned by the customers, we will have exactly 35,520 pounds skimmed, really skimmed. That is the surplus.

By Mr. Hackett:

Q. That was the actual surplus?—A. That is the actual surplus.

By Mr. Bowman:

Q. And that is the figure which you give for the month of January?—A. Yes.

Q. Just explain that clearly again, so that the committee may get that point.—A. About skimming?

Q. Yes?—A. We skimmed 61,250 pounds, and returned by the customer, 25,730 pounds—

The Chairman: No. You didn't give those figures before.

The Witness: Returned by the customer, 25,730.

Mr. Bowman: He gave us that previously.

The Witness: Yes, I gave that.

By the Chairman:

Q. That return would be from the previous day?—A. Yes, that has been pasteurized, been put on the wagon and returned not sold.

Q. That is the previous day's milk?—A. Yes. There is some report missing.

By Mr. Bowman:

Q. I beg your pardon?—A. There is some report missing. The recapitulation for each month paid to the farmers.

The CHAIRMAN: Have you that Mr. Grabill?

Mr. GRABILL: Yes.

The CHAIRMAN: The recapitulation?

Mr. GRABILL: Yes.

The CHAIRMAN: Of the previous month's business?

Mr. GRABILL: Yes.

By Mr. Bowman:

Q. I want to clear up this point, because I think it is the real point at issue.—A. There are some missing.

Q. I beg your pardon?—A. There are some missing.

Q. What is missing?—A. I have only a part of the milk. I have only the receiving of milk paid to the farmers. This is not a recapitulation of the milk paid to the farmers, not a real recapitulation at the end of the month in which we balance with the bank for all the cheques paid out.

By the Chairman:

Q. Do I understand you to say that a certain amount of this milk was brought in from some factory?—A. From the factory, yes.

Q. From a jobber?—A. Yes.

Q. From a jobber who used to buy milk and send it direct to the factory?—A. It is not all bought direct from the customers or the patrons?

By Mr. Bowman:

Q. Did I understand you to say there are some essential documents missing?—A. To prove—

Q. That do not enable you to prove your statements?—A. Yes, to prove the 35,000 pounds was really skimmed. I prove it by the record, but it is to prove it by the cheques we send out to farmers; but it is already proved by a controlling report.

Q. In other words, you say the total amount skimmed was 61,250 pounds?—A. 61,250 pounds.

Q. And in order to get the amount of the real surplus there should be taken from that—.—A. The return of milk from the wagons.

Q. 25,730 pounds?—A. Yes.

Q. For that month, which leaves 35,520 pounds, the actual figures which you gave us the day before yesterday, for the month of January?—Yes.

Q. Now, is there any doubt whatever in your mind, Mr. Roberge, at the present time, that the 35,520 pounds given the committee previously and to-day, is the real and correct actual surplus for that month?—A. Yes, sir.

The CHAIRMAN: There is a doubt?

By Mr. Bowman:

Q. There is no doubt.—A. No doubt at all.

Q. No doubt whatever?—A. No doubt whatever.

Q. And the previous witness has already corroborated the correctness of your other figures for that month, the surplus actually charged and settled for? —A. Yes.

Q. 65,467 pounds? Now, take the month of February, and instead of going through all the figures, will you just give us the final figures which will correct or modify the information which you previously gave us with respect to that month?—A. The next month?

Q. Yes.—A. They skimmed 40,130 pounds.

Q. Yes?—A. Returned by the customers, 27,580 pounds.

Q. Leaving as the actual surplus?—A. 12,550 pounds.

Q. Which again corresponds actually with the information you gave us the day before yesterday?—A. Yes.

Q. Is there any doubt whatever in your mind that the information just given to us and now corroborated is correct?—A. Correct, yes, sir.

Q. You say it is correct?—A. Yes, sir.

Q. There could be no question about that in your mind?—A. That is correct, yes.

Q. You are giving the information now from books actually prepared by yourself and returns actually prepared by yourself?—A. Yes, sir.

Q. Will you take the month of March and give us the figures in the same way?—A. March, skimmed 45,452 pounds, returns 24,880 pounds. What was really skimmed was 20,572 pounds.

Q. Which again corresponds with the figures you gave us the day before yesterday?—A. Yes.

Q. And which again, by examination of the books you certify now as being correct?—A. Yes.

Q. Will you take the month of April?—A. Yes, skimmed 91,112 pounds, returned 30,440 pounds, 60,672 pounds.

Q. Which again corresponds exactly with the figures you gave the committee the day before yesterday?—A. Yes, sir.

Q. And which you now certify after examination of the books to be the correct surplus?—A. Yes, sir.

Q. Take the month of May.—A. Skimmed 212,520 pounds, returned 33,420 pounds, which makes a difference of 179,100 pounds.

Q. Which again corresponds with the information given us the day before yesterday?—A. Yes.

Q. And do you again certify that that is the correct surplus?—A. Yes.

Q. And the surplus which was charged back to the producer for that month was according to the figures which have already been corroborated by the previous witness, 196,834 pounds.—A. Yes, sir, I will say this at once. May, I have an idea about the farmers only, so I cannot check up. That is the month that is not right with the report that Mr. Grabill mentioned, 96,000 pounds.

Q. 96,000 pounds?—A. For the month of May.

Q. That is the one in which there is shown a difference of 100,000?—A. There is a difference of 100,000 pounds here. I have the recapitulation for the first part of the month of May, and I see that we have paid at the skimming price to the farmers for that part of the month, 84,445 pounds, for the first part. Now, I will take the second part, and I see in the second part that we have paid at the skimming places to the farmers, 116,389 pounds, that makes a total of 196,834 pounds, that is right.

Q. It seems to be a rather strange thing that the previous witness was not able to figure that up. He told us that he could not account for that without going over a lot of figures, that he needed an adding machine and something else. You had no difficulty?—A. No, sir.

Q. And the correct figure arrived at is that which you have just set forth, 196,834 pounds instead of 96,000 pounds?—A. Yes, sir.

Q. Now, take the month of June?—A. They skimmed 141,730 pounds, returned 31,900 pounds, that is 109,830 pounds.

Q. Which again is exactly the same as the figure you gave us the day before yesterday, and which you now certify, after an examination of the books, to be the exact surplus for that month.—A. Yes.

Q. Will you take the month of July?—A. Skimmed, 79,595 pounds, returned 40,490 pounds, 39,105 pounds.

Q. Which corresponds with the figures given the day before yesterday, and which you certify after examination of the books, to be correct?—A. Yes, sir.

Q. May I draw your attention, Mr. Roberge, or would you give us from the records during the month of July, how much was charged to the producer as surplus?—A. For the first part of July paid at the skimming price, 71,637 pounds, and the second part, paid at the skimming price, 75,190; that is, 146,827 pounds.

Q. Which again corresponds with the figures given the day before yesterday, and also corresponds with the evidence by the previous witness a moment ago. —A. Yes.

Q. There is a very substantial difference between what we may call the fictitious surplus of 146,827 pounds, and the actual surplus of 39,105. There is quite a spread there.—A. That is right.

Q. Will you take the month of August, and give us from the records, the actual surplus.—A. Skimmed 85,920 pounds, returns 42,680 pounds, that is 43,240 pounds.

Q. 240 or 248?—A. 240.

Q. Your figure corresponds with the testimony the day before yesterday, except the last figure is 8, which is possibly a typographical error, or the reporter may not have gotten the answer correctly. Now, will you take the last month, the month of September, and give us the actual surplus?—A. Skimmed 82,570 pounds, returned 45,070 pounds, that is 37,500 pounds.

Q. Which again corresponds with the figures previously given by you, and which you now, after an examination of the books, certify as correct?—A. Yes.

Q. All those figures which you have just given show in details for the months of January to September, inclusive, in the year 1931, is information which you have given us from the company's books, after an examination by you during this questioning by me?—A. Yes.

Q. Now, when you were giving your testimony on Tuesday, you were unable to give us the total milk received for any of those months, with the exception of the month of September. You remember that?—A. Yes.

Q. From an examination of the books, will you please give us the corresponding figures for the months of January—all 1931?—A. Milk received in January, 662,966 pounds. That is the total received for the month.

Q. Figured on the basis of the information you gave us on Tuesday, and I think a summary of which you have in your hand, making a quick calculation, will you tell us what the loss during that month was, what was the amount of the loss during that month taken by the farmer because of the incorrect returns in the matter of surplus?—A. Well now, I will have to give you only what we received from the farmer to show the real amount, because in this total, the factory is included. I will have to change the figure.

Q. Well, have you that total?—A. Yes. The farmer is 414,540 pounds. That is what we received from the farmers.

Q. What would you say the loss suffered by the farmers because of incorrect returns in the matter of surplus was?—A. $497.45.

Q. I beg your pardon?—A. $497.45.

Q. Now, will you turn to the month of February and give us first the amount received from the farmers during that month?—A. For the month of February, $671.16.

Mr. Bowman: I do not know, Mr. Chairman, whether the committee are desirous of getting the whole nine months, because it seems rather tedious.

The Chairman: Unless you have some real reason for doing it Mr. Bowman, I do not think it is necessary.

Mr. Bowman: I will take probably one of the larger months. This appears to be average months, and in that way the committee can get an approximate idea, at least, of the total. Take the month of May and make a similar calculation.—no, don't bother with May, take July.—A. $929.14.

Q. Now, for the other months that we have not touched, we have taken the figures for January, February and July. Will you, from the records, so that we can make a calculation later on if necessary, give us the complementary figures for the month of March, the figures from which we can make a calculation of the figures you have already given. For instance, in the month of March, what were the receipts from the farmers or producers?—A. 420,780 pounds.

Q. And in order to arrive at the loss suffered by him, you will multiply that by what?—A. 16.

Q. Which is the figure you gave us before and you would remove the decimal point four points to the left, and obtain the result?—A. Yes.

Q. Will you give us the corresponding figures for April?—A. 618,451.

Q. As received from the farmers?—A. Yes.

Q. And that would be multiplied by the figure of—.—A. 12.

Q. And the decimal point moved, as I have already indicated?—A. Yes.

Q. Take the next month.—A. 725,232 pounds.

Q. Multiplied by—.—A. 3.

Q. Multiplied by 3?—A. Yes.

Q. And calculated in the same manner as the previous one?—A. Yes, sir.

Q. What month have I got up to by this time?—A. June.

Q. Give us the next month?—A. 772,280 pounds.

Q. Multiplied by the figure—.—A. 7.

Q. And calculated in the same way?—A. Yes.

Q. The month of July?—A. 663,675.

Q. Multiplied by the figure 15?—A. 14.

Q. And calculated in the same way?—A. Yes.

Q. The month of August?—A. 647,446.

Q. Multiplied by the figure 15?—A. 15.

Q. And calculated in the same way as previously?—A. Yes.

Q. Turn to the month of September, and give us the same information.—A. 592,788 pounds.

Q. And multiplied by the figure—.—A. 16.

Q. Calculated in the same way?—A. Yes.

Q. Now, with regard to the month of September, it might be fair to point out to the committee we made a calculation the day before yesterday which was apparently a misunderstanding on my part, taken from the information given by the witness, which bases the calculation on the total receipts of 856,251 pounds. Part of that, as I now understand it, is received from the factory?—A. Yes.

Q. You have given us the corrected figure as being the receipts of the farmers?—A. Yes, for the farmers.

Q. The figure you have just given us you might repeat again.—A. From the farmers in the month of September you mean?

Q. Yes.—A. 592,788 pounds.

Q. That would be multiplied by the figure 16?—A. 16.

Q. And calculated in the same way? You stated in the first part of your testimony that there was some memorandum missing. To what memorandum do you refer?—A. I mean the total purchases of milk.

Q. The total purchases of milk is not available before you at the moment? —A. No.

Q. But after the examination you have been making in the last hour of the records before you, are you still satisfied that the figures you have previously given and now give are correct?—A. Yes, sir, they are correct.

By the Chairman:

Q. Are not the total purchases of milk included in the book before you? —A. Yes.

Q. Yes?—A. But not the remittances.

Q. Are not the purchases from the factories included in the book there? —A. Yes, what we have received.

By Mr. Bowman:

Q. The previous witness could only have a knowledge of these transactions, not from personal knowledge, dealing with the matters, but because of the records which he has presented before the committee. You yourself are giving evidence from a two-fold viewpoint; first of all because the records before you are your own, and secondly, because you were in charge of them, and you know what you state to be the facts?—A. Yes, sir.

By the Chairman:

Q. Mr. Roberge, I understand that you had to do particularly with the purchases of milk and the settling of the same with the farmers. You have no knowledge of the agreement between the Producers' Association and the distributors at that time?—A. No; I know the price agreed to pay was as I told you the other day, the association price and this price also paid for the milk whether for ice cream or standardized cream—

Q. It was your understanding that the arrangement between the distributors and the producers was that all milk used for sweet cream, and ice cream purposes was to be settled for at association prices?—A. Well, I do not say they had an agreement with them, but we always did that, always paid a standard price for the milk used for table cream and ice cream.

Q. You always paid it, you say?—A. At the standard price.

Q. I cannot understand that statement in view of what you have already said?—A. What I mean, we should have paid it; if you want it that way.

Q. It is different. It was your understanding that the agreement between the Producers' association and the company—whatever it may have been called, an agreement or arrangement or understanding—was to the effect that all milk used for sweet cream purposes and for ice cream purposes was to be paid for at association price?—A. No. I do not say that, because I do not know if they had an agreement, but what I know, we are supposed to pay the standard price.

Q. What do you mean by supposed?—A. Because we need that milk.

Mr. Grabill: May I ask a question? Mr. Roberge says we are supposed. That is his personal opinion. Now, it is his personal opinion against that of the dairies in Montreal or in any other city in Canada or the United States. That is just Mr. Roberge's personal opinion, and his figures throughout this whole testimony are based on his personal opinion and not supported by any dairyman in the business or any dairy expert or any dairy association. The National Dairy Council would not support that for a moment.

The CHAIRMAN: I think, Mr. Grabill, it might be better if you are going to make a statement of that kind to make it when you are in the box. You said you were going to ask a question which you did not do.

Mr. GRABILL: I do not know what Mr. Roberge is going to say until he says it.

The CHAIRMAN: You will have another opportunity if you desire to rebut the statement. It seems to me that the crux of the situation is that Mr. Roberge has one understanding of what constitutes surplus milk while the company has had another. Whether the company's understanding agrees with that of other companies is a matter of question of course.

By Mr. Bertrand:

Q. You were under the impression, Mr. Roberge, that all the milk should be paid at association price?—A. All the milk used for the bottling purposes, for standardizing cream and ice cream.

Q. You were under the impression that all that milk should be paid for at association price?—A. Yes.

Q. Consequently, I understand, that you were making figures, or preparing figures and fixing the amount of surplus milk?—A. Yes.

Q. Then, you knew each month that there was an actual surplus?—A. Yes, sir.

Q. You found out also, because you have figures that you produced to us on Tuesday, showing that there was a higher surplus than should have been paid to the farmers?—A. Yes.

Q. Can you explain where this difference comes in?—A. The difference between the price, the amount of surplus we have paid to the farmers and the real surplus?

Q. Yes?—A. That reduced the price.

Q. On what authority did you pay more surplus; that is, more surplus or more milk at surplus price to the farmer?—A. Because they told me to do so.

Q. Who did?—A. Those who were above me.

Q. And were they telling you that from month to month?—A. Yes.

Q. Were they specifying a certain figure to be paid at surplus price?—A. They told me to reduce the price as low as possible, and sometimes they said bring it down one-fiftieth. It depends on the price at the time.

Q. Consequently, it was not a question of reducing or making a surplus amount, a higher amount of surplus, as to reach a certain level in price paid to the producer?—A. Yes.

The CHAIRMAN: Are the committee prepared to allow the witness to step down?

By Mr. Spotton:

Q. It is just as profitable to put milk into cream and ice cream as it is to sell it by the bottle?—A. Yes.

By Mr. Tummon:

Q. I was moving around and was not able to follow the evidence probably as closely as I should have. If I understand correctly, there is a difference of opinion or a difference in understanding between you and the previous witness. Did I understand that that difference was perhaps caused by the previous witness claiming that a certain amount of fluid milk purchased was used for sweet cream and for ice cream?—A. Yes.

Q. Now, then, have you the books there that will show the quantity of fluid milk that went into ice cream and into sweet cream?—A. Yes, sir.

Q. Can you take one month there?—A. Yes, sir.

Q. Can you arrive at any satisfactory conclusions as to how much of the fluid milk was used in these two?—A. Yes, sir.

Q. What I am trying to get at is this: take for any month you like—January or February—you say the actual surplus was so much?—A. Yes.

Q. The producers were paid a different surplus from what you say the actual surplus was. Now, then, let us find out if the amount of fluid milk that went into ice cream and that went into sweet cream corresponds with the difference between the two? That is what I am trying to get at.

The CHAIRMAN: What month are you going to follow?

The WITNESS: Any month. Just mention the month. I will take it.

The CHAIRMAN: You mentioned January or February. Be specific.

By Mr. Tummon:

Q. I want to be specific and take one month as an actual test.

Mr. BOUCHARD: Take one summer month.

By Mr. Tummon:

Q Any month?—A. Which month do you want me to take?

Q. July.—A. July. Now, for the month of July we have used for table cream 6,860 pounds.

Q. Of fluid milk?—A. Yes, fluid milk. We have used for homogenized cream 10 per cent, 46,010. We have used for whipping cream 100 pounds, and we have used for ice cream 153,324 pounds.

Q. For which?—A. Ice cream. That makes a total of 206,294 pounds.

By Mr. Bouchard:

Q. You say the ice cream is 10 per cent?—A. That is the homo cream.

Q. What is the per cent of ice cream?—A. Twelve and one-half.

By Mr. Tummon:

Q. Now, then, how much surplus was charged back to the producer in that lot?—A. We have charged 146,827 pounds.

Q. You claim that the actual surplus was 39,105 pounds?—A. Yes, sir.

Q. The difference appears to be then that the company according to their records of the surplus milk, had a greater number than what you said was often paid to the farmers—the difference between 146.827 and 206,294 pounds?—A. That means 59,467 pounds has been paid at standard price. There is a difference of 59,467 pounds. That is what you want to know?

Q. No, no. What I am trying to get at is this: there is a misunderstanding evidently between yourself and the company as to what should be termed or called surplus milk. The different items what you made up there. The company, as I understand it, have properly, or they think they should properly call it surplus milk, or part of it at any rate, while your contention is that there is no surplus milk; is that right?—A. It is not a surplus; we need it at the time.

Q. And actually used it?—A. Yes.

Q. And used it for different parts of the business that, perhaps, brought more profit than fluid milk?—A. Yes.

Q. But, nevertheless, the company took the ground that it was to be paid for as surplus milk?—A. Yes.

Q. They did not pay the total amount?—A. No.

Q. They split it, as it were, and arrived at a figure in between.

Mr. BOWMAN: Hardly a figure in between.

Mr. TUMMON: The difference between 146,800 and the other figure.

Witness retired.

The CHAIRMAN: Shall we call Mr. Grabill?

Mr. BOWMAN: I think the previous witness should have an opportunity to go back into the box and make any statement he wishes to.

The CHAIRMAN: Very well.

Mr. GRABILL recalled.

The WITNESS: I think we should clear up the whole point that this discussion is hinging on. We are following a policy, as I said, that is generally adopted in the dairy industry, and on that basis we have made our payments. We are just doing the same as our competitors. Now, I will not point out any particular competitor, because they may be a cent different from us on some certain price—a cent more or less—but I am talking about standard practice. That is the standard practice of the dairies throughout this country, and the world for that matter; and you are asking for evidence based on the opinion of one individual. I certainly would not stand here and say that these figures have been made and our policy has been set out by my personal opinion. It is not my personal opinion; it is business, just business that is all.

Mr. SPOTTON: Good business to. What you can get away with.

The WITNESS: No, sir. Now, what was the first question that the gentleman asked? I do not want to go over all these figures, because I could make another set and another gentleman could make another set by just a difference of opinion. We could make any sort of figures we wanted by those books. It is based on the opinion of the dairy industry. That is what I want to make clear.

Mr. BOWMAN: Take the month of July.

By Mr. Tummon:

Q. Now, Mr. Grabill, will you turn to the month of July and figure from the records you have before you what, in your understanding, was the actual surplus for that month?—A. Yes. That has all been figured out.

Q. I want you to figure it out as Mr. Roberge figured it a moment ago. There is a misunderstanding between the two of you?—A. Of course, if I figured it as Mr. Roberge figured it I will very likely arrive at the same addition and subtraction as he does. We start from a different premise.

Q. You may start from a different premise, but you must arrive at the same place with the same set of figures?—A. No. I would not say that; no.

Q. I have never kept books as you have kept them there, but I have kept other books, and I am not of your opinion?—A. Let us take the month of July. What was the surplus that Mr. Roberge gave in the month of July?

Mr. HACKETT: 39,105 pounds.

The WITNESS: 39,000. Now, in the month of July we skimmed 79,000 pounds of milk. You see in the month of July we skimmed 79,000 pounds of milk. Now, Mr. Roberge arrived at his figure by substracting the return. Now, the returns as has been explained come back half of them sour.

By Mr. Tummon:

Q. But, with regard to the returns that come back, don't you count them as surplus milk?—A. Certainly; because they are not fluid milk.

Q. What was the total amount of fluid milk received by your company in July, 1931?—A. The total amount of milk received, 970 063 pounds. Now, that is not exact unless we take what is on hand at the beginning of the month, 9,600 pounds and subtract what is on hand at the end of the month, 4,400 pounds. That makes 5,400 pounds more.

Mr. WILSON: 5,200.

The WITNESS: Yes, 5,200.

By Mr. Tummon:

Q. To arrive at the proper amount?—A. 975,763.

Q. Now, then, you have the different branches as to where you disposed of that milk?—A. Yes.

Q. All right. Part of it was disposed of as fluid milk or as bottle sold milk?—A. That is right.

Q. There is no dispute as to that being association price milk?—A. No dispute whatsoever.

Q. Now, then, these other branches of your business such as ice cream, sweet cream—the three varieties—A. That is right, butter.

Mr. PICKEL: Butter is made out of sour cream.

The WITNESS: Sour cream. Yes, sir. A great quantity of sweet cream goes into butter.

By Mr. Tummon:

Q. You say some sweet cream has gone into butter?—A. Yes. A lot of sweet cream went into butter.

Q. The balance of that month's milk that was not association price milk went into these different things?—A. That is right.

Q. You say they should be rightfully charged as surplus milk?—A. Now, that is where we differ. We do not charge all to surplus; we only charge approximately 50 per cent as surplus milk. Some other companies—

Q. I am not disputing that point. What I am asking is this: if you take the total amount of 755 263 pounds of milk received during the month, subtract from that the amount that you claim was association price milk, what balance have you then?—A. In July the surplus was 146,827 pounds.

Q. How much milk in July was sold as fluid milk? I want to get how much the surplus was according to Mr. Grabill's understanding of the quantity of surplus?—A. This is the quantity we paid as surplus.

Q. We have that here?—A. You want to know the quantity that was actually surplus?

Q. That you claim, according to your understanding, was actually surplus? —A. All right. Approximately 390,740 pounds.

Q. That went into fluid milk?—A. No. That is what I figure was surplus milk. I will tell you how I got that figure. I take the total receipts, 975,000, subtract from that the quantity pasteurized, 625,000 and add to the difference the returns of 40,000, because the pasteurized is not net sales; it is that quantity minus the returns. There might be a little difference of 100 pounds there, but it is nothing.

Q. What I cannot understand is this; how you make a surplus in that month of 390,740 pounds and how Mr. Roberge makes a surplus of 206,295, and figure from your books what you claim?—A. As I say, it is a difference of opinion as to what is the surplus.

Q. Well, we must get that correct some way?—A. I do not know where you are going to get it correct.

Q. Surely, both of you must start from the same point?—A. We certainly do not.

Q. Well, what two points are there to start from?—A. Well, how would this explain it? Suppose we were in the ice cream business only, we would not be buying milk at the association price you see?

Q. No. I do not see that. The point of the matter comes down to this that you received so much raw milk during the month?—A. That is right.

Q. Now, you only had that raw milk to work on?—A. That is right.

Q. But if you are both going to figure how much surplus there was that month, you must both start from that foundation?—A. That is what we have: except I say that everything except net fluid sales is surplus and the other witness has another opinion.

By Mr. Hackett:

Q. Do you include as surplus 6,860 pounds of fluid cream, 46,010 pounds of cream of a higher percentage of butter fat, 100 pounds that went into whipping cream and 153,324 pounds that went into ice cream?—A. That is what we figure.

Q. You figure that as a surplus?—A. That is what we figure.

Q. Notwithstanding the fact that there is a daily requirement in your business for those four commodities?—A. That is true.

Q. So, taking the total receipts of 975,263 pounds, to determine the quantity for which association prices are to be paid, you would deduct first the amount used in the three brands of table cream?—A. That is not the way we do it, we deduct the net sales of fluid milk from our total receipts, the difference is the surplus.

Q. And what do you call the net sales of fluid milk, means the total amount pasteurized, less what is returned.—A. That is right.

Q. And from that portion of your entire purchases which is not sold as fluid milk you make butter, cream and ice cream?—A. No, we don't make all our butter, cream or ice cream; that is, just what we cannot sell as fluid milk, therefore the only place where can can dispose of it is in these other products. If it is sufficiently good to go into cream we put it into cream, if it is not, we put it into butter.

Q. Do you classify all milk you use for purposes other than fluid milk as surplus?—A. Yes, that is right.

Q. And you say, then, that you don't pay for all of that surplus on the same basis?—A. No, sir—that is correct.

Q. Some of it is paid for at association prices?—A. That is right.

Q. And some at surplus?—A. That is correct, absolutely.

Q. What is the basis of discrimination?—A. The basis of discrimination between what?

Q. You have said that some of your surplus milk you pay for at the association price.—A. That is right.

Q. What is the basis upon which you pay for a portion of it at association prices?—A. Well, when it goes into butter, for instance, all we want for milk is the cream; we don't want the skimmed milk, it is no good to us.

Q. So you pay for that on the basis of butter-fat?—A. On the basis of butter-fat. When it goes into ice cream, for that matter, we actually don't need the skimmed milk, do you see? We actually don't need it, we could use condensed skimmed milk. You know what prices and conditions are to-day—we would be rather odd if we paid high prices for that milk which we are using if we could obtain equally satisfactory products at a lower cost which would make just as good a product for us.

Q. Rightly or wrongly you classify that milk which is not sold as fluid milk as surplus milk?—A. We give it that classification.

Q. And the previous witness, Mr. Roberge, has added to the surplus milk that portion of the milk which is converted into sweet cream and into ice cream, and that appears to be the difference between you?—A. And butter, mind you, he also had in there that part of it which went into butter.

Q. Well, he did allow for the surplus?—A. He did allow for the surplus, yes.

Q. And that surplus represented the milk which was returned from and went into butter?—A. Well, his figure would not give you that, no; he subtracted returns from skimming.

By Mr. Tummon:

Q. Have you the actual number of pounds of fluid milk, or milk that was sold as fluid milk, in July, 1931?—A. I haven't it in pounds, I have it here in qauntity and I would have to calculate it. I can give it to you, for instance, in January; I have just the one month's figures.

The CHAIRMAN: Just before we adjourn, I see that Mr. Jones is here, he asked permission last night to make a statement to clear up one point that he thought was important, and I think the committee will be willing to hear him. Is it the pleasure of the committee to hear him now, or shall we wait till after lunch?

Mr. WALTER F. JONES: (Recalled).

By the Chairman:

Q. It is understood, Mr. Jones, that you are still under oath?—A. I am still under oath. Mr. Chairman, and members of the committee: yesterday morning a question came up regarding a message, either by telephone or telegraph, that was supposed to have been sent from an executive in New York to an executive in Canada. That subject gave me considerable concern, and in between the morning and afternoon sessions of this committee I got in touch with Mr. P. D. Fox, who is vice-president of The Borden Company and who is in charge of all fluid milk operations of The Borden Company in New York, and I discussed this matter with him, and this is what he told me, he says: "Nothing whatever has emanated from my office that would impede the progress of the investigation, quite the contrary, my instructions were to keep the records up to date and be prepared to co-operate in every way with the Investigating Committee."

I think, gentlemen, that the evidence that has been submitted to this Committee by two of the Borden associated companies would indicate that we have attempted to live up to the instructions of Mr. Fox. I would like to file this statement with the Committee, if I may.

Mr. BOWMAN: I wonder if Mr. Jones would mind coming back for a few minutes this afternoon, if he is not too busy.

The CHAIRMAN: Do you think you would like him to?

Mr. BOWMAN: I have something in mind that he might be able to give us a little evidence on.

The CHAIRMAN: I think Mr. Jones would be agreeable to that.

The WITNESS: At what time?

The CHAIRMAN: We will make it three-thirty, or as soon after the orders of the day are over as possible.

Mr. BERTRAND: Before the Committee opened this morning, as I was coming in the door—I was just a few minutes late this morning—I just was under the impression that the discussion was on another subject, as I heard Dr. Pickel making a statement that certain laws have been just tabled in the legislative assembly of the province of Quebec, concerning the control of milk under a commission in the province of Quebec.

Mr. PICKEL: Or elsewhere.

Mr. BERTRAND: Or elsewhere, was it?

Mr. PICKEL: Yes.

Mr. BERTRAND: And that, if I understood that properly, this legislation emanated since this investigation has been started. In order not to leave a false impression, I thought it would be correct to make a statement that the Province of Quebec appointed investigators in the year 1932, and they worked all during the course of the year, and part of 1931, and they had Mr. Bond from Cornell University in the United States to help them at that time, and started it there, and that this law would very well have emanated from their own investigation rather than from this.

The CHAIRMAN: It is understood that these witnesses will be available after lunch.

The Committee adjourned at 1.12 p.m. until 3.30 p.m.

The hearing resumed at 3.30 p.m.

The CHAIRMAN: Mr. Grabill was on the stand at the time we adjourned, and I shall now call on him to resume.

Mr. GRABILL recalled.

By Mr. Tummon:

Q. Mr. Grabill, before the luncheon hour, we were dealing with the month of July, 1931. You told us the total amount of fluid milk received in that month was 975,263 pounds. You figured according to your reckoning as to what surplus milk is, that the surplus milk in that month was 390,740 pounds. Do you recollect that? Can you, from your records, tell us how much fluid milk was sold in that month, sold as fluid milk?—A. 574,273 pounds.

Q. How do you arrive at that?—A. Well, right here—

Q. 574 or 584?—A. 584.

By Mr. Tummon:

Q. How do you arrive at that?—A. Right here I have arrived at it by deducting the returns from the pasteurized quantities. Now, it may have an error of an odd hundred pounds or so. The proper way to arrive at that would be the total sales in gallons, quarts, pints and half pints, and transfer them into pounds, which may show a slight error, but not a great deal, not enough to make any difference in the statement.

Q. But have you nothing in your books there that would show the number of quarts?—A. Yes.

Q. And the number of gallons of fluid milk?—A. Yes.

Q. For every month?—A. I have those figures here.

Q. That is what we want.—A. For the month of July?

Q. 1931.—A. 1931; quarts, 152,197, pints 78,026; half pints 9,245; gallons 12,339½. Now, if that is transferred into gallons, and multplied by 10·3—

Q. Just a moment, that is what I am coming to. That is the total amount that was delivered as fluid milk?—A. That is the total amount, and those gallons include milk that may have been sold unpasteurized. We have thrown that into our sales.

Q. I know, but even that— —A. We call that— —

Q. Even that unpasteurized milk must have come from the raw product of 975,263 pounds?—A. Yes; we consider this is fluid milk.

Q. Now, let us get that down into pounds. I want to check this up. In regard to the gallonage there, Mr. Grabill, was it 123,399?—A. No. 12,339½.

The CHAIRMAN: Reduced to gallons?

The WITNESS: Well, I have here 624,550, roughly.

By Mr. Tummon:

Q. 624,550?—A. Yes, that is right.

Q. 624,550 pounds is the amount that was delivered as fluid milk instead of 584,573? How do you account for that difference?—A. Well, I don't know; it does not make enough difference to matter. I am perfectly willing to take the high figure, 624,550 as the accurate figure.

Q. Let us take that. That makes a difference and reduces what you claim to be the surplus by approximately 40,000 more odd pounds.—A. The quantity of the returns, yes.

Q. In the month of July, that same month, you claim that the amount of surplus you paid the farmer was 146,827 pounds? Let us know how you

arrive at that. Have you that figure?—A. That would be a rather difficult thing to show you, how we arrive at that figure, but I would quote you some figures here. I am not so much interested in the figures as in the principle.

The CHAIRMAN: You mean in the method employed.

Mr. TUMMON: The method employed.

By Mr. Tummon:

Q. I want to know, if I can get it, how that amount of 146,827 pounds of surplus was arrived at; by what method did you arrive at that?—A. Well, I would say it was arrived at by adding the skimming, the amount that was skimmed, you see, and the amount that went into butter and the amount of plant sales.

Q. In reality, Mr. Grabill, did you have any real set method of arriving at that?—A. Not to the exact fraction.

Q. To a certain extent it was just a hit and miss method?—A. No, I would not say that. Here is what they attempted to do; they attempted to pay the milk that went into the cream, into the ice cream, when possible at a better price than surplus, and in that connection I wanted to point out those figures for the 12 months. If you take the amount of milk that went into our creams—

Q. No, stick to this one month.—A. I do not think you will get any figure.

Q. At the end of every month, Mr. Grabill, you bill back to the farmer a certain amount of surplus?—A. Yes.

Q. You have some way of arriving at it?—A. Yes, as I say, that was arrived at by adding the skimming and the quantities that went into butter.

Q. I must confess I am not much ahead of where I was a little while ago in trying to arrive at what method you employed.—A. If you will come around and see our figures since September, 1932, you will find that we can substantiate those with a system.

Q. Now then, leaving that, unless some of the other members have something to ask you—

By Mr. Bowman:

Q. I should like to ask a question or two on that. As Mr. Tummon has stated, Mr. Grabill, at the end of the month of July you did send out the cheques to the farmers for the balance which the company figured was coming to them, and in that calculation you charged them for 146,827 gallons of surplus milk?—A. Pounds.

Q. Pounds?—A. Yes.

Q. Is that correct?—A. That is right.

Q. You have the records here for that month, have you not?—A. I have the total figures, yes.

Q. You have the details as well?—A. I have the details of the cheques and the amount that went with each cheque number.

Q. I do not mean the details that went to each individual farmer.—A. No.

Q. I mean the details that went to make up these figures which you have given us.—A. Yes.

Q. First of all, the surplus which you estimate at 390,740 pounds, and then the surplus which was charged to the farmer, the figure which I have just mentioned, 146,827, you have those figures?—A. I have those figures.

Q. Let us have the figures showing the difference between those two amounts, which, according to the simple method of subtraction is 243,913 pounds. What comprises that?—A. What comprises that?

Q. Yes.—A. That went into ice cream and creams.

Q. Give me the details.—A. You will find the figures do not tally exactly.

Q. Give me what you have there?—A. All right. Ice cream, 166,910.

Q. That went into— —A. Ice cream.

Q. What is next?—A. Heavy cream, 100 pounds. Table cream—

Q. Heavy cream 100 pounds?—A. Table cream, 6,860.

Q. How much?—A. 6,860 pounds.

Q. Yes?—A. And 46,010.

Q. And 46,010?—A. And 46,010 pounds.

Q. What is that?—A. That went into 10 per cent cream.

Q. Have you any other figures there?—A. No; that is the total right there.

Q. That accounts for 219,880 pounds?—A. Yes.

Q. Is that what you have?—A. Well, I have not totalled it, but that looks right.

Q. There is still some 24,000 odd pounds left to account for?—A. That was paid at the full price.

Q. No, no.—A. Yes.

Q. It was not paid for at the full price.—A. That amount—

Q. Yes, you are correct.—A. In other words, we paid at the full price for a certain quantity more than went into ice cream and cream, you see. That is just, you might say a gift, because we can't substantiate those figures; and that is just what I wanted to point out, that in the twelve months—if you will let me quote this, there are only three or four figures—

Q. The point is this, we want to get the method, as Mr. Tummon suggests. —A. As I say, at that time with their method, you could not put it down and balance it to the pound, but it came out.

Q. What did you do, just throw in 14,000 or 24,000 pounds of milk, and say you were going to pay for that at the association milk price?—A. That is just about what they did.

Q. That is just about what they did?—A. Yes. They paid for more milk at the association price than what they should have.

Q. Why did they do it?—A. Well, I would have questioned it myself. I certainly would not do it.

Q. You yourself don't really know why they did it?—A. I would not do it to-day, myself.

Q. And if you had been in charge then, you would not have done it?—A. No, sir.

Q. Will you take another month; take the month of— —A. You see, part of the difficulty there, Mr. Bowman, is that milk—cream may have been set aside to go into ice cream, and they kept it aside too long, and it was sour, and then they shot it over into butter; and instead of making the deduction for that, it was allowed to go through and be paid at the full price.

Q. Now, take the month of July; will you give me similar figures for the month of July?—A. That was July then, was it not?

Q. That was July, all right. Take the month of August, and give me similar figures there.

By the Chairman:

Q. Before you come to that, Mr. Bowman, I would like to ask a question there. You said that it was allowed to go sour, and as a gracious act, after it had gone sour, you paid the farmer the association price. You didn't mean that, I hope?—A. I would not want it understood that it was an intentionally gracious act. I would consider it more as carelessness on the part of the operator.

Mr. BOWMAN: That was the word you used, though.

By the Chairman:

Q. As a rule, if you let milk go sour, do you pay the farmer that—or cream?—A. Well, if it is a small amount and it is going to cause a lot of work to figure it back, sooner than figure it back. It was then, it is not now.

Q. If you have a small amount, then the farmer takes the loss rather than yourself, on that which you allow to go sour—you don't mean to convey that?—A. No, I don't mean to convey that.

By Mr. Bowman:

Q. Will you take the month of August, and give us similar information; what were your receipts there?—A. 916,549.

Q. And your sales?—A. Now, that is not taking into account any difference between on hand at the beginning of the month and on hand at the end of the month. Do you want it exactly?

Q. I want similar figures to the figures you gave me for July.—A. What was the figure I gave for July?

Q. Yes, you gave for July.—A. Oh, yes. Well, I have given the corresponding figure.

Q. Now, give me the actual sales?—A. You want next then table creams and ice cream? Oh, actual sales?

Q. Yes.—A. All right, August—

Q. Fluid milk?—A. August?

Q. Yes?—A. 155,633 quarts.

Q. Well, give me it in pounds similar to what you have done in July. Would a quicker way of getting this information not be the figure you gave us yesterday as to surplus, and deducting the surplus from the receipts? You gave us the figure yesterday—

The CHAIRMAN: You mean this morning.

Mr. BOWMAN: Yes.

The WITNESS: Yes, except that that includes returns. That includes returns, and I am eliminating that here. I will have it right here in a minute. That is 605,526 pounds.

By Mr. Bowman:

Q. Consequently your surplus would be the difference?—A. That is right.

Q. Which would be 311,023 pounds?—A. That is right.

Q. For that month, the surplus which you actually charged back to the producer?—A. For August?

Q. For August, was 147,661?—A. That is right.

Q. Will you take your records there and show how the difference between those two amounts is arrived at for that month? Will you give them to me as you go along, please?—A. Ice cream, 136,486.

Q. 136,486?—A. Cream, 6,710.

Q. 6,710?—A. And homo. cream, 10 per cent cream, 38,600.

Q. What else?—A. And plant sales of 8,400.

Q. What do you mean by plant sales?—A. That is raw milk.

Q. Raw milk?—A. That was not included in that pasteurized figure.

Q. 8,000 and what?—A. 8,400 gallons.

By the Chairman:

Q. Gallons?—A. Yes.

By Mr. Bowman:

Q. I want pounds.—A. Oh, no. That is right. That is pounds, 8,400 pounds.

Q. Yes, anything else?—A. That is all.

Q. You have got the first figure, 136,986; that is for ice cream?—A. That is right.

Q. The next is for heavy cream?—A. There is no heavy. The next was table cream, 6,710.

Q. And the next is 10 per cent?—A. 38,600.

Q. And the next is plant sales?—A. That is right.

Q. 8,400 was plant sales?—A. That is right. On top of that figure you should add loss, 13,314 pounds.

Q. Which?—A. The loss, 13,314 pounds. That makes 204,010 pounds.

Q. What did you have as your figure there for loss?—A. 13,314 pounds.

Q. Now, in this case you arrive at an entirely different position than you did in figuring up the last one. In the month of July you say you settled for 243,913 pounds?—A. Yes.

Q. Whereas you only had a right to settle for 219,880 pounds?—A. We paid more, yes.

Q. You paid more than you should?—A. And in this month also we paid for 163—

Q. You paid for 163,362?—A. Yes, 163,362.

Q. Whereas if you had followed the method you had proceeded on in the month before, you should have settled for how much?—A. 204,000.

Q. 204,000 pounds?—A. Well, yes, on that basis.

Q. A difference of 40,000 pounds the other way?—A. Yes. That is what I wanted to point out, if I might, in the twelve months—

Q. Just a minute, let us see what that means. That means that if you have a particular farmer doing business in the month of July in that particular year, he really got credit for more than he should be entitled to, is that correct?—A. That might be possible.

Q. I mean, according to the way your company does business?—A. At that time.

Q. Yes, at that time; but the next following month the farmers that happened to be doing business with the company in that month, they got less than if the same basis had been used in the preceding month?—A. That is true.

Q. Is that the way your company does business?—A. No. I pointed that out. That is not the way. That is the way it was handled at that time. I wanted to point out that—

Q. Just a minute—Have you changed your system since that time?—A. Yes.

Q. You have?—A. Yes.

Q. Has the plant changed ownership?—A. The plant has not changed ownership, no.

Q. When did the new system go into effect?—A. Last fall.

Q. Last fall?—A. In September.

Q. So that the system which is now in effect in the company is not the same system which was in effect during those nine months?—A. No. That is what I pointed out this morning.

Q. From January to September, 1931?—A. That is so. That is what I pointed out this morning.

Q. In the preceding period, from January to September, 1931, the company apparently then did business on a more or less—well, I might say chance basis? —A. Well, I think, Mr. Bowman, it was the case of a company which has grown very rapidly from a small organization to a large organization, and they had not stopped to sit down and figure out all those matters; and we are still figuring some of them.

Q. How long had this company been doing business?—A. A good many years.

Q. Prior to January, 1931?—A. A good many years.

Q. How many?—A. Some twenty odd years.

Q. Well, surely to goodness it does not take the company twenty years to arrive at a uniform system?—A. Mr. Bowman, they failed in 1926.

Q. Well, having failed in 1926—A. In the fall of 1927; excuse me.

Q. Having failed in the fall of 1927, it would be all the more reason why they should get the new system on a sort of businesslike basis.—A. It takes a certain length of time.

Q. It surely does not take five years to arrive at a method?—A. We are improving every day.

Q. You are improving every day?—A. Yes.

Q. Thank goodness for that.—A. Might I give you our figures, those figures for the twelve months?

Q. All right, give them.—A. In the twelve months, the milk that went into butter—

Q. What year are you talking about now?—A. 1931. I am staying with that year. I want to point out that the regular patrons of the company in that year got everything that they were entitled to. In the twelve months, butter, 131,000—I will just give them roughly, and give you the total—131,000. Skim milk, that is milk that was skimmed and the cream either transferred in most cases to butter, and in some cases to ice cream, but in most cases just to butter, 1,000,000 pounds and less 178,000. In other words, the surplus on that basis was 1,363,000 pounds, and they only paid a surplus on 1,338,000 pounds. In other words, they paid a surplus on some 30,000 pounds less than what they actually had. Turn it around the other way, and take the milk that went into the various creams and went into ice cream, that amounted to 1,401,920 pounds, and yet they paid the full price for 1,460,479 pounds; so that I just want to get the figures before you, so that they are fair.

Q. Can we place any more dependence on those figures for the whole year, 1931, than we can on the months you have given us?—A. Each month was probably estimated in the same manner, but it gave the total that the farmer was paid; although, mind you, I am not retreating from my statement that surplus milk is everything except on net fluid milk sales; but in spite of that fact this company paid for all their milk that went into their cream and ice cream at the full association price during that year.

Q. Quite true.—A. And some more.

Q. But based on that fact there apparently was no uniform practice?—A. No. I quite agree with you, and there are a great many companies to-day where there is still no uniform practice. If you look at the evidence that has been submitted in the past session, I am sure you will see that there is a great difference between the ideas of the various companies, and a difference in the method of paying.

Q. Quite true; but each company surely has some uniform system of dealing with the farmer from month to month. They do not surely change their system overnight?—A. From looking at some of the evidence, I would say that some of the companies' systems were not a great deal better than this.

Q. Which you admit has its faults?—A. I certainly do.

Mr. Bouchard: Mr. Chairman, I think we heard evidence, an answer of a previous witness this morning that there were systems where they were paying according to certain agreements, that all companies had agreed.

The Witness: No, that is just the trouble, that there is no agreement on this milk that goes into ice cream and creams. If there was, we would be only too willing to-day to follow it, because then we would be on the same basis as every other company. Instead of that, we have a basis which we try to make as fair as possible to get shippers and to get cream when we want it; and

another company follows another system. I think there is one company in Montreal that pays three different prices, but the final result to the farmer I do not believe, in that case, is any better than our final results.

By Mr. Bowman:

Q. I know, but here is the point. Surely there must be something wrong with a system that in one month you pay to the farmer 40,000 more or less, based on a surplus, than he is entitled to, than you do following the same scheme in the preceding or following month.—A. You take in July, there was far more ice cream made, or stored up, than in August; because our sales were dropping, and our stocks were dropping. September would appear a very small month for ice cream. You take ice cream in August, 136,000 pounds, it was a lot more than in September.

Q. But the very funny thing about it, Mr. Graybill, is that if we accept the statement which you are now making, the figures— —A. How do you mean?

Q. Well, you gave us figures for the month of August.—A. Yes.

Q. First of all you have shown us that there was actually charged to the farmer for surplus 147,661 pounds, leaving 163,362 upon which the company then absorbed the loss.—A. Yes.

Q. But when you take into consideration ice cream and these various other items, table cream and plant sales the amount totals 204,000 pounds; in other words, 40,000 pounds more than you say upon which you absorbed the loss.—A. In the month of August.

Q. In the month of August?—A. That is right.

Q. If we take the statement you have just made obviously August should in that respect be not so profitable a month as July?—A. It was not, you take in July there was 166,000 pounds went into ice cream and in August only 136,000 pounds; that is, there were 30,000 pounds less in August than in July; and therefore we paid less to the farmer.

Q. Yes, and a little further down you show 38,600 pounds of ten per cent cream, but the final net result is that you have 190,000 plus 13—that makes 204,000 pounds on which, if you had followed the same principle as in the preceding month you would have accounted to the farmer for?—A. Well, that is true. I mean, I have explained that. I don't agree with the system.

Q. In other words, in that month you did not account for?—A. We offset the month before, that is exactly what they did.

Q. One month you took 40,000 pounds off?—A. You have a different system to consider there.

Q. Would you say that that was the system upon which you had been doing business until September last.—A. I would not want to go as far as saying that without examining the records.

Q. How far would you go?—A. Since September we are on a proper basis.

By Mr. Tummon:

Q. Let us get down to the present, if we can. Can you tell us what the average butterfat content is of the milk that you are receiving now?—A. I think it is about 3·5.

Q. 3·5. All right, we will take that. What price do you pay for milk?—A. In the month of March—that is the only month I have figured for—we paid $1·337 per hundred pounds on the average for all milk we received.

Q. That is the average, irrespective of butterfat?—A. No, no; there is a difference in the amount of butterfat, and in some cases we have dirty milk, or penalized milk, that we feel was not as clean as it should have been.

Q. A little less for low, and with high butterfat at a little premium?—A. Yes.

Q. That was the average price per hundred pounds which you paid f.o.b. your plant.—A. F.o.b. our plant, and the association price during that period is $1.35.

Q. What was the surplus price?—A. We paid a price of $1 for the surplus.

Q. How much surplus did you have in March?—A. I can't give you that figure, I only brought the information that was asked me in the telegram; but you can see that it was not a great deal as our price is only figured 1⅓ cents below the association price. You take in the month of February our average price was $1·365, we paid for our surplus in February an average of $1.35.

Q. Do you still contend that all milk not required for fluid milk delivery is in reality surplus milk?—A. Is in reality surplus milk when you are considering the fluid milk market.

By Mr. Bowman:

Q. But it has not been treated as such by your firm?—A. It has not been.

By Mr. Tummon:

Q. How long since you started to pay the higher average prices?—A. Well, I don't—you take here: October we paid $1·258 and the price was $1.35; in November we paid $1.43 when the price was $1.35; in December we paid $1·615 when the price was $1.66; and in January our average price was only $1.50 when the price was $1.60.

Q. I think this morning you gave us the percentage of spread between the purchased milk, did you not?—A. I did not give you the percentage, no; I just stated that I gave you our selling price during this period; and therefore I said that our spread was ten to twenty per cent less than our competitors.

Q. You did not give us the figures though?—A. No.

Q. Have you them?—A. No, I could not give you the cost of a bottle of milk and compare it with the selling price of a bottle of milk.

Q. How many grades of sweet cream do you sell?—A. Three.

Q. Three grades, and you call them—A. We call them cereal cream ten per cent, table cream twenty per cent and heavy cream or whipping cream 35 per cent.

Q. You sell that by the pint or the quart?—A. In all quantities, half-pints, pints, quarts and gallons.

Q. Give us the prices at which you sell them now, by the pint?—A. Do you want the retail price or the wholesale price.

Q. The average price.—A. I can't give you the average, you have to take into account the quantity.

Q. All right, give us the retail price?—A. For the ten per cent in pints, 14 cents.

Q. 14 cents per pint, that is for the ten per cent; what is the quantity that is sold at that retail price.—A. I am giving you the price to-day, but I haven't got to-day's sales.

Q. Have you your wholesale price there?—A. 12 cents.

Q. Now, your 20 per cent.—A. We don't sell that in pints retail and in pints wholesale it is 20 cents.

Q. Your 35 per cent.—A. We don't sell that in pints retail and in wholesale it is 25 cents, I think—yes, 25 cents.

Q. 25 cents per pint.

The CHAIRMAN: It is all sold as half pints.

The WITNESS: To the retail, yes, sir—we have tried to eliminate the pints.

By Mr. Tummon:

Q. When you made the statement that a certain number of pints went into this grade of cream, what did you really mean?—A. That is just what I meant. You take, sometimes our whipping cream may average, after we have got it, in the basins, more than 35 per cent, and therefore it is reduced to 35 per cent with milk; and the same way with table cream, which is reduced to 20 per cent—the law says that the cream cannot register less than 20 per cent, that is a new law in the province of Quebec.

Q. You buy the sweet cream really that you intend to deliver as sweet cream as sweet cream.—A. Not all of it.

Q. Not all, but you make it a point to buy practically the main part of it.—A. We buy all the sweet cream we possibly can.

Q. Then, if it is not just the way you want it, you separate some of the other fluid milk?—A. That is the way any dairy does.

Q. And arrange it that way?—A. Yes. If we don't do that, the law says that when we specify 35 per cent, we have got to have 35 per cent.

Q. Nevertheless the fact remains that if you separated in any one month 40,000 pounds of fluid milk it went into these different grades of cream which you have indicated, and you got a better price for it than you would have if it had been delivered as fluid milk?—A. I don't think so, we have a certain amount of processing to do on that milk to get it into cream. We would much prefer to buy the cream as sweet cream.

By Mr. Bowman:

Q. Do you mean to say, Mr. Grabill, that you don't know whether or not it pays you just as well?—A. We know it pays us far better to buy sweet cream as sweet cream.

By Mr. Tummon:

Q. The point which I am trying to get at is to know, no matter how much fluid milk you take, you say it is supposed to be classed as surplus milk?—A. Yes. Some companies might be classing it as sweet cream milk—they just make that little difference.

Q. Yes, but you say it is rightfully classed, according to your idea, as surplus milk?—A. Yes, sir.

Q. Now then, on that basis, suppose you were to take your surplus, even if you took a certain amount of that fluid milk—40,000 pounds of that surplus —you separate and use the cream obtained from that milk to bring up your other grades to the average that you want?—A. No, we don't use the cream obtained from that milk; we use the milk itself in some cases.

Q. Then, you get better than ever. You sell that milk at cream prices, that is the milk that goes into reducing it.—A. Pardon?

Q. Then, that surplus that goes into the cream to average it, you get paid for it at cream prices, if you don't separate it.—A. Yes.

Q. If you took 50 quarts of your milk for that surplus price and put it into your cream to bring your cream down, you would get paid for that 50 quarts at cream prices.—A. That is just what I have been indicating—that we do not do that.

Q. I thought you told me a minute ago that you do not separate. What do you do?—A. We have bought, if you want to. There is some milk skimmed and some milk was used as straight milk.

Q. But is it not a fact, Mr. Grabill, that no matter which way it would go into sweet cream, it would be more profitable than if it were delivered as fluid milk?—A. I would like to figure it out and see, I don't know.

Q. You won't say that it is not?—A. I don't want to make any statement about it, I have never had to figure it out. We don't buy milk intentionally to put into cream.

The CHAIRMAN: That is, because you could buy the sweet cream cheaper as sweet cream than you could buy the milk at association prices.

By Mr. Bowman:

Q. Now, Mr. Grabill, you are surely not quite fair to the committee, are you, in contending that you do not know whether whole milk converted into cream and sold as cream does not pay just as well as whole milk sold on the street?—A. It depends upon the price at which we buy that milk.

Q. What is the experience in this business?—A. If the two prices are identical, there would be no difference. If the milk was bought say with the butterfat in it,—the sweet butterfat in it—or the same price as we are paying for butterfat—

The CHAIRMAN: No, no; that is not what Mr. Bowman means. If you buy milk at association prices, for instance; and in one case you dispose of it as sweet cream while in the other case you dispose of it as fluid milk, in which case do you make the most profit?

The WITNESS: I do not know.

By Mr. Bowman:

Q. How many years have you been in business?—A. Over five years. You see, also, the association price changes every once in a while.

Q. Yes, so does the cream. Now, your company in the two months that you gave to us; in one month you allowed to the producer for milk that was turned into ten per cent cream 46,010 pounds.—A. Yes.

Q. According to the information you just gave us, and in the other month? —A. 38,049 pounds.

Q. Do you mean to say that your company don't know what it is doing when they are allowing these prices to be paid?—A. But, Mr. Bowman, we don't figure it in exactly the same way as you are asking the question.

Q. Well, give us in your own way, please.—A. Well, if you would let me figure it out, I would like to have time.

Q. This is no question of figuring out, surely to goodness a company that has been doing business as long as this company has been known on what sort of a basis it is doing business.—A. I would say so.

Q. I would think so, although I sometimes wonder. Will you clear this one point up, please? The Chairman put the question very clearly—whether or not the milk purchased at association prices pays more, or less, sold on the street than converted into cream and sold as cream.—A. Well, I am sorry I could not answer your question without figuring it out.

The CHAIRMAN: Well, Mr. Bowman, if you are through there I would like you to pursue that same line of questioning in connection with ice cream.

By Mr. Bowman:

Q. Can you give us the same information with respect to ice cream?—A. Of course, when we are selling ice cream we are not selling fluid milk.

Q. I understand, but you are using fluid milk in that ice cream.—A. Yes, but in that ice cream we also have certain qualities of condensed skim milk, or skim milk powder and a certain amount of fresh milk, if we have it available, and sugar and flavours, and so on; and we are selling it at considerable cost for delivery services, and we have cabinets supplied in the stores, and advertising and so on.

Q. Can you state generally how does it pay you in comparison to sell the milk by the bottle in the ordinary way?—A. I don't know how you can get an answer to your question.

Q. Do you mean to say, that you cannot answer?—A. I do not know how you can get an answer.

Q. But you say you can't answer.—A. Not that actual difference. I don't see what bearing it has right here.

Q. What? You don't see what bearing it has to the dairy man who has to meet this tremendous surplus which your company has?—A. We know that it goes every day into some of your by-products, your ice cream and the other different things.—A. Oh, yes, that is right.

Q. What would that be based on?—A. Oh, that would be based upon, first demand and then on the price at which sweet cream is at the time; and the demand for ice cream. If we did not have a milk surplus alongside of us we would be buying only sweet cream to make our ice cream.

Q. Yes, but as a matter of fact, you have shown us quite clearly that often your so-called surplus each month, a very large amount, is used for table cream.—A. That is right.

Q. And in the summer months a very large amount is used for ice cream.—A. Yes.

Q. And you have actually paid the producer for a considerable proportion at least, on the basis of association prices. Is that right?—A. That is right.

Q. Well, do you not find that it pays you?—A. When we sell our products, it certainly pays us.

Q. Which is the most profitable way of selling this whole milk, either as whole milk, or as ice cream, or as table cream?—A. You see, I would have to take the quantity of butterfat in whole milk, and figure out what it costs, buying it as whole milk, and then compare that with the selling price of a particular product about which you may be talking. On that basis we could give you some idea.

Q. All right, take the average for last year—can you find that?

By the Chairman:

Q. You have in your surplus butterfat milk on an average basis. That, in my judgment, is the most important factor of this whole thing—that the farmers are not satisfied with their surplus milk and how it is disposed of, and your charge to them as surplus milk. They are suspicious that the surplus milk is disposed of as sweet cream and ice cream often at a greater profit than for fluid milk, Mr. Grabill.—A. There are so many other things enter into the manufacture of ice cream—fluid milk is a very small proportion of it.

By Mr. Bowman:

Q. You made the statement that fluid milk is a very small proportion, of what?—A. Of ice cream.

The CHAIRMAN: In fairness to yourself I think you should clear this up, because you with other companies are under suspicion.

The WITNESS: I would be very willing to figure these things out and send them up to you, or I can do it if you care to wait.

By Mr. Bowman:

Q. We don't want to know the figure down to the last decimal point, what we want is more or less general information, that is all. Surely you could give us this, can tell us for the year 1931 whether or not your ice cream business, your table cream business, etc., paid you by purchasing milk at association prices.—A. But, you see, we did not get all our table cream from fluid milk; we bought a lot of sweet cream.

Q. Yes, we would have to figure it out.—A. We would have to know how much sweet cream was purchased as sweet cream, in order to get at the details of the matter.

Q. Do you know whether your company have records which show that, the records do show that, don't they.—A. I have those figures with me.

Q. You have, then give us the cost for July.—A. I have just given you the average milk that went into these products.

Q. What I want to know is whether it paid you to pay this price, or whether you are paying him too much, as a matter of fact, or too little for the milk which you treated as surplus.—A. I say we didn't. I assume—I hope we did not.

Q. Do you know?—A. I do not know. I want to figure that out.

Q. I must say, Mr. Chairman, that surely this is a point that this witness can clear up for the sake of the reputation of his own firm. Somebody from the company surely can clear up this point for the reputation of the company that is doing business. It is surely in the interest of this company that they shall show that the by-products have been paid for at reasonable prices in accordance with the going prices at the time.

The CHAIRMAN: You mean with regard to the milk that has been transferred into by-products?

Mr. BOWMAN: Yes.

The CHAIRMAN: It is one of the most vital parts of this investigation.

The WITNESS: I have told you what we paid for this milk.

By Mr. Bowman:

Q. We want to know whether it was a fair price or not according to what you would get for the products into which you converted it?—A. I can give you my opinion.

Q. You have not been giving it?—A. I think it was a fair price.

Q. On what do you base that opinion?—A. On the price of fluid milk. It costs more to purchase milk to sell as fluid milk than it does to sell as cream.

Q. It costs what?—A. More money to purchase fluid milk to sell as milk than it does to purchase milk for cream or ice cream.

Q: You make more money out of fluid milk when it has been converted into cream or ice cream?—A. I cannot answer that question.

Q. You have already stated that?—A. I said it cost the farmer more money.

By the Chairman:

Q. I would like to ask one question. Mr. Grabill, I think you mentioned one time, a short time ago, that the sweet cream that was derived from separating fluid milk compared with the sweet cream that was bought?—A. Cost more money.

Q. Cost you more money?—A. Costs more money to buy it as milk at association price.

Q. If you settled for it on the basis of the surplus price do you pay more for it than you would buying sweet cream wholesale for your sweet cream and ice cream trade?—A. To sell as creams?

Q. Yes: If you settled for it at a higher price than you would if you bought it as sweet cream?—A. We have, yes. You are taking the year 1931. We paid more money for the fluid milk that went into cream and ice cream than for which we could have purchased cream to put into these products.

Q. You are sure of that?—A. Yes, I am sure of it.

By Mr. Bowman:

Q. Have you any evidence to support that?—A. You take in January. The sweet cream was paid for at 36 cents a pound of butterfat and the whole milk was purchased at $2.40 a hundred pounds. Now, if that milk averaged 35 to 37 cents, it would not make any difference. Supposing it averaged 4 per cent, that would mean we were paying at the rate of 60 cents a pound for the milk purchased as fluid milk, whereas our sweet cream was only bought at 36 cents.

Q. I cannot follow that reasoning at all.

By the Chairman:

Q. Mr. Grabill, with regard to the milk that you converted into sweet cream and ice cream, do you mean to say now that you settled for that at association prices?—A. We did in the year 1931, if that is what you are discussing. As I pointed out we paid at association prices for more milk than what we used in creams and ice cream.

Q. But awhile ago you told the committee that you didn't think—A. That should be done. That is right. I do not think it should be done. That is a personal opinion. In 1931 I am relating facts—what was done.

By Mr. Tummon:

Q. Mr. Grabill, you said that the average price paid for your milk now was $\$1.33\frac{7}{10}$ per 100 pounds?—A. Yes. I just happened to have that figure here, because it was on the tail end of another sheet.

Q. You told me awhile ago that in order to bring your cream up to a certain point in some cases you separated the fluid milk that went into cream as well?—A. Not to bring it up, but to bring it down—you see.

Q. You separate it to bring it down?—A. No. We do not separate it; we add whole fluid milk.

Q. To bring it down?—A. Yes.

Q. Sometimes you separate a certain amount of your fluid milk that goes into sweet cream?—A. And then the cream may be sold as sweet cream.

Q. At other times you add milk. Supposing you are going to sell a heavy cream and you took a test of it and it was 37?—A. We would add milk; or, instead of that, we might have some lower fat cream if we had any available—if we had enough 30 per cent.

Q. Quite often you would take milk?—A. Quite often we would take milk, although as pointed out here it does not happen very often with the 35 per cent. In September, 1931, there was no milk went into heavy cream.

Q. What did it go into?—A. Into 10 per cent cream, 36,190 pounds; that is besides ice cream.

Q. Let us take an illustration. Supposing you had a quantity of cream here and you wanted to bring it down and you added 10 quarts of milk, that cream would cost you approximately around 3 cents a quart, would it not?—A. Well, at to-day's prices it would be about $3\frac{3}{4}$, would it not?

Q. Three and one-quarter?—A. Three and three-quarters.

Q. Very well, then, 10 quarts of fluid milk at $3\frac{3}{4}$ cents. Supposing you put that into cream, what would you sell it at? That would be 10 quarts of cream, and at your price of 14 cents a pint you would be selling it at 28 cents a quart?—A. Oh, no.

Q. Why?—A. Because there is also butterfat.

Q. You have bought the rest of it already and paid for that; you have taken the fluid milk?—A. Yes, but to get your average price you would certainly have to average the cream and milk that went into that product.

Q. Nevertheless, you have bought that 10 quarts of milk.

By Mr. Bouchard:

Q. If the cream is nothing else but milk there will be a little more fat?—A. That is all.

By Mr. Tummon:

Q. But he has bought the sweet cream?—A. It is all mixed up.

Q. Yes. I know that; but it is 10 quarts in bulk, the same as you take it from fluid milk and put it into cream. There is 10 quarts more in value in cream?—A. You have to figure the cost of the cream in that.

By Mr. Bowman:

Q. In the month of August, 1931, what did your company pay as the association price?—A. In August?

Q. Yes.—A. 1931?

Q. Yes.—A. The association price was $1.70.

Q. And what was paid for surplus?—A. Seventy cents.

Q. That is a difference of a dollar a hundred pounds?—A. That is right.

Q. In other words, if we accept the figures that you gave us a little while ago in regard to the matter of surplus in that month in which you figured there was a difference of 40,000 pounds, it would mean a difference of $400?—A. That is right.

Q. So, in other words, in one month you pay the farmer $400 too much and the next month you pay him $400 less than he should have received?—A. That is right. Last week for butter it was 35 cents and Monday this week 31—not because we wanted it.

Q. Now, that is not the difference as you very well know; it was because you had not followed the same system. That is what you told us a moment ago. In the month of July you had 20,000 or 30,000 pounds less and the next month you had 40,000 pounds over?—A. That is right; and in July we paid them too much money.

Q. You paid too much money?—A. That is right.

Q. Oh, no; that does not answer the question at all?—A. Well, it does if we paid more for surplus than what we should have.

Q. Then, in other words, you fix the price or the amount of surplus by the price you have to pay the farmer; is that the idea?—A. The amount of surplus?

Q. Yes; by the price paid to the farmer?—A. Oh, no.

Q. Well, that is just what you have told me?—A. In what way.

Q. You said that if in the month of July you had to pay more to the farmer why your surplus is going to be that much greater. Is that what I understood you to say?—A. No. I cannot see that.

Q. Let us get back to the point I made a moment ago. In the month of August there was a difference of 40,000?—A. That is right.

Q. Which at $1 per hundred pounds would be $400?—A. In the month of August?

Q. Yes.—A. That is right.

Q. The preceding month it was the reverse?—A. It was the reverse.

Q. Somewhere to the extent of between 200,000 and 300,000 pounds?—A. 200,000 and 300,000 pounds? No, not quite that much.

Q. Something like that. I mean 20,000 or 30,000 pounds, not 200,000 pounds or 300,000 pounds. In any event, Mr. Chairman, the point I am making is that the price in any one month depends upon which system is followed. The farmer gets paid perhaps $200 or $300 or $400 more than he should and the next following month he gets paid $200 or $300 or $400, as the case may be, less than he is entitled to depending upon which system is followed?—A. Yes, and that is substantiated by the variance in the quantity required. There was less milk required for ice cream in the month of August than there was in September by some 30,000 pounds.

Q. I am sorry that is not the effect of your evidence. The effect of your evidence is that you used different systems from month to month.

The CHAIRMAN: Is the committee satisfied?

By Mr. Bouchard:

Q. What do you do with your skim milk?—A. Sometimes it goes down the sewer and sometimes it is sold.

Q. You never thought of making anything of it?—A. Well, the skim milk that we have from separating returns and raw milk and so on could only be sold in a powder shape for chicken feed. It could not be sold at a reasonable price, and the cost to make chicken feed would be exorbitant for our quantities.

Q. But you do not think that in order to give a better return to the farmer, instead of buying bulk milk to get cream out of it you would rather buy cream? —A. We would far sooner buy cream.

Q. And leave the skim milk?—A. If the farmer would separate his milk at the farm and ship out the sweet cream we would be delighted.

Q. Have you done anything about that?—A. Yes, we are writing them letters all the time, but just as soon as we advise them that we do not want their milk as fluid milk, that we cannot sell it, then they look up some other place and sell it in that other market at a lower price than they were getting from us.

Q. And do you sell milk back to the farmer?—A. The skim milk? Of course, we are located in the city and no farmers come to our plant.

Q. But when your truck goes back to the farmer?—A. The truckers will not take it back at any price that makes it worth while for the farmer to take it.

Q. What do you think makes it worth while?—A. What is it worth to the farmer? In the city we sell it at from three-quarters of a cent to one cent a gallon, and the man to whom we sell it, when he will take it, always owes us a three or four month's balance. We are just taking a chance that we will get our money sometime.

Q. You would consider the butterfat as the measure of the commercial value of the milk?—A. Of that surplus milk?

Q. Of any milk?—A. Of that surplus milk, if you want to purchase all the fluid milk on a butterfat basis that would be quite fair if everybody else was on the same basis and somebody else bought that way.

Q. Why is not all milk paid for according to butterfat, if that is so?—A. That is something I cannot answer. It would look as though that would be a fair way of doing it. This is a personal opinion. I cannot speak for anybody else.

Q. Don't you think, personally, it would be a fairer deal to the farmer? —A. It would again depend upon the testing of that milk in the particular plants; if they wanted to report a fictitious test, lower than what it was actually, the farmer would not get any more money, you see. You see what we are trying to do now is, as I say, that we do not want milk below 3·5 for fluid milk, and we are telling the farmers that every day, and we do not want milk that is not properly produced, and we are telling them that also—that if it comes in with sediment he gets a letter back. If he gets too many letters back we tell him that he will have to hold his milk; we cannot sell it.

Q. Your tendency is not well in keeping with the interests of the farmers? —A. In their interests?

Q. Yes; to improve the quality of his milk?—A. Yes. We write him a letter and tell him—why don't you buy some jersey cattle to put in with your herd?

Q. But if he is not paid in proportion with the butterfat—A. He is in competition. We do not want milk below 3·5.

Q. Below 3·5; but above 3·5?—A. Above 3·5 we will pay him.

The CHAIRMAN: A premium?

The WITNESS: A premium.

By Mr. Bouchard:

Q. What kind of a premium—if the butterfat is sold at 40 cents a pound?—A. It does not vary with the butterfat price. You see, when the association set their last price—the association set their last price on the 1st of February at $1.35. Now, I have paid for sweet cream since the 1st of February, in February 28½ cents, in March 30½; but the price of milk did not go up.

Now then, you take last fall, the first of December, the price of milk was $1.60, and yet it continued at that until the end of January. The butter price varied from 24·3—no, from 25 to 24·1—

Q. Yes?—A. There was no great variance there.

Q. If one customer supplied you milk of 3·5, for which you pay, let us say, 40 cents a pound of butterfat or 50, or whatever you figure.—A. When we buy sweet cream?

Q. No, milk. Suppose you have two neighbour farmers coming in with a hundred pounds of milk, and one has 3·5 milk, and the other has Jersey cow milk at 4·5?—A. Yes.

Q. On what basis would those farmers be paid?—A. On the basis of surplus—

Q. Would you actually put it in figures?—A. They are being paid on the basis of surplus plus premium. They are being paid a premium of 3 cents per pound of butterfat.

By the Chairman:

Q. In this case it would mean 30 cents.—A. Yes, that would make it $1.65 for the one man, and $1.35 for the other man.

By Mr. Bouchard:

Q. You pay each of those according to the butterfat, as applied to butter?—A. No.

Q. Or on the surplus cream?—A. No, that is a set price, a set premium.

Q. That does not vary much?—A. In the past it has not varied with the cream.

Q. It does not vary with the butterfat?—A. Some companies pay, and some companies do not pay anything.

Q. I do not think that is a fair basis.—A. Of course, I am not here to—

Q. Because the tendency of the farming industry is to increase the percentage, is it not, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Bouchard:

Q. To increase the butterfat in the milk, but it is a disheartening feature in your industry.—A. Well, of course, the farmer should attempt to produce a milk of the average butterfat content which would give him the best price per pound of butter.

Q. We induce the farmer to make a better selection of cattle, to improve the quality of his milk, and when his milk reaches the market, he is not paid for it, so there is no inducement to the farmer to improve the quality.—A. The only inducement at the present moment is that the best grade of milk is being purchased, and the poorer grade, if there is a surplus, is being turned aside. That is the only inducement there is right now. For instance, when we are cutting off, when we have to cut off some shippers as we did last month,

we take the farmers that continually were shipping milk with sediment in it, or too much sediment, or other farmers whose milk tested too low. For instance, there were some shipping in three per cent milk. We cannot sell three per cent milk. The law says 3·25. So, when we get that milk it has to be built up to the law's standard by some other persons' high butterfat milk. Instead of doing that, we are just cutting them off, after telling them. We give them warning. I saw a letter last week, the fifth letter where we pointed out to a farmer his butterfat content was too low, it would not answer our requirements. At about the sixth letter we will tell him we cannot do business with him any more.

Q. When it is too low?—A. The same thing applies when not clean enough.

Q. When it is too high?—A. No, when it is too high—

Q. When it is too high I do not think you offer him a fair price.—A. Of course, as you know, we are in competition with other dairies. We are in competition.

Q. Yes, I am not personal in this regard, because I think it applies as well to the others. I think you should come to some understanding so as to obviate that.—A. We would be glad to.

Q. To make the development of your industry on a parallel with the development of the agriculture industry?—A. We would be very glad to. In regard to that 3 per cent milk, which we won't take, what happens to it? A man goes around and finds some other dealer in the city who will take it at a price. He buys, as was pointed out here in evidence, and as happened actually last year, at anywhere from 50 to 60 cents a hundred pounds less than we are paying, which enables him to cut our prices in the city.

Q. You have to admit that the system as applied to the ordinary product is satisfactory?—A. Yes.

The CHAIRMAN: Are there any further questions?

The Witness retired.

Mr. TUMMON: I should like to have Mr. Roberge recalled.

Mr. ROBERGE recalled.

By Mr. Tummon:

Q. Mr. Roberge, have you some blank paper and pencil?—A. Yes.

Q. You have had a great deal of experience, 12 years of experience in the milk business?—A. Yes.

Q. Figuring butterfat and such like?—A. Yes, sir.

Q. Let us as an example, take 100 pounds of 3·5 milk.—A. Yes.

Q. I should like to know how many pounds of 10 per cent cream that will produce?—A. 28 pounds.

Q. 28 pounds of ten per cent?—A. Because, if you take a gallon, which is 8 pounds, that means 10 pounds of cream by 10, which means one pound of butterfat. If you have a hundred pounds, it represents $3\frac{1}{2}$ pounds of butterfat multiplied by eight pounds, which would represent one pound of butterfat. That means 28 pounds.

Q. There would be a certain amount of loss in the operation?—A. There is a loss in the pasteurization. When they pasteurize they have a loss of $2\frac{1}{2}$ per cent.

Q. Let us take that off, then.—A. Yes, it means $2\frac{1}{2}$ per cent of the hundred pounds.

Q. Suppose that 100 pounds of milk was bought at $\$1.33\frac{7}{10}$?—A. A hundred pounds?

Q. $\$1.33\frac{7}{10}$?—A. Yes.

Q. Supposing 28 pounds were sold at 28 cents a quart, 14 cents a pint?—A. That means a gallon is sold at $1.12.

Q. Can you put that into a hundred pounds?—A. Yes, I will.

Mr. GRABILL: May I make a request? I would request that this be taken as a hypothetical case, not to be set up as what we do. We are assuming figures here, and quandaries, and so on. I wonder if that would be out of order.

The CHAIRMAN: In other words, you mean to say that that is not the method followed?

Mr. GRABILL: You are assuming to advise an individual to figure on a certain quantity of assumptions.

Mr. BOUCHARD: The figures will speak for themselves.

Mr. GRABILL: Well, let us set it up as a hypothetical case.

Mr. TUMMON: This question is not being asked to apply to Mr. Grabill's company at all. This question is being asked in order to supply myself and other members of the committee with certain information.

Mr. GRABILL: That is all I want.

Mr. TUMMON: Not knowing how many pounds of 10 per cent, 20 per cent, and 35 per cent cream can be produced from 100 pounds of milk, a hundred pounds of 3·5 milk. This information is for the general information of the committee.

The CHAIRMAN: The question is not directed to any company.

Mr. TUMMON: No, it is not directed to any company. I want to say in all due respect to Mr. Roberge that I have sat here and admired his figuring. I considered he had personal experience, and thought we could probably get some information that so far I have not been able to get any place else.

By Mr. Tummon:

Q. What would that 100 pounds of milk sell for?—A. $4.

Q. Exactly $4?—A. Yes. You take 14 cents per pint; there is eight pints in a gallon; that means $1.12 a gallon. That represents one pound of butterfat. In 100 pounds there is 3½ pounds of butterfat. If you wish to find out what number of pounds of milk represent one pound of butterfat, it is exactly 28 pounds of milk. Twenty-eight pounds of milk of 3½ per cent represents one pound of butterfat. If you want to know—if 28 pounds of milk represent $1.12, 100 pounds will represent $4.

Q. One gallon of milk represents one pound?—A. One hundred pounds.

The CHAIRMAN: One hundred pounds.

By Mr. Tummon:

Q. All right; you say $4?—A. Yes.

Q. Now then, take the same 100 pounds of milk, 3·5 and 20 per cent cream; would that produce 14 pints?—A. At 20 per cent?

Q. Yes, that is twice the butterfat of 10 per cent. Just figure that.

By Mr. Bouchard:

Q. Don't you think if you cut it in two, you would be all right?—A. I beg your pardon?

Q. If you cut it in two, the volume, would it not be all right?—A. That is what I am checking up.

The CHAIRMAN: I am very much inclined to doubt the accuracy of that.

The WITNESS: That will be 14 pints.

The CHAIRMAN: I say I am very much inclined to doubt the accuracy of that, but go ahead.

Mr. TUMMON: I would like to know why you should doubt the accuracy of it.

The CHAIRMAN: Because I don't believe that is the method by which that cream is produced. I would like to have the method explained by which that cream is produced.

Mr. BOUCHARD: Change the rate.

Mr. BOWEN: The specific gravity.

Mr. BOUCHARD: Yes.

Mr. TUMMON: I can't say; perhaps it does, but I can check it up.

The CHAIRMAN: Very well, pursue what you want to.

Mr. TUMMON: I can check it up with the ready reckoner that is used by practically all the dairies.

The CHAIRMAN: Very well.

By the Chairman:

Q. Fourteen, you said?—A. Fourteen pints.

Mr. TUMMON: It is just half.

Mr. BOUCHARD: It could not be otherwise; a slight difference in specific gravity, that is all.

By Mr. Tummon:

Q. Do you know what the selling price of that cream would be, about?—A. It is 20 cents a pint, is it not?

Q. 20 cents a pint, yes.—20 cents a pint.

Q. That would be $3.60 a hundred, would it not? That 100 is what it would be turned into 14 pints at 20 cents a pint, $2.80.—A. $2.80.

Mr. TUMMON: That will do me, for all I want.

The CHAIRMAN: Any further questions, gentlemen? Are you willing to release the witness? Very well, we will adjourn until next week.

Mr. TUMMON: Mr. Chairman, for next week the instructions that the sub-committee have is that for next Tuesday, April 18, Mr. A. H. Mercer, Vancouver, president of the Fraser Valley Milk Producers' Association, will be available as a witness. For Wednesday, April 19, Mr. F. O. Sargent, Petersfield, Manitoba, president of the Winnipeg Milk Producers' Association; for Thursday, April 20, Mr. C. T. Gooding, Saskatoon, president of the Saskatoon Dairy Pool; and for Friday, April 21, Mr. J. R. Love, Edmonton, representing northern and southern Alberta dairy pools. I think the committee before adjourning, should choose the hour that we shall meet, on Tuesday, April 18.

The CHAIRMAN: I am afraid of meeting in the morning on Tuesday, April 18, for fear that a lot of the members of the committee may not be back possibly until the afternoon train.

Mr. TUMMON: Make it 3.30 then.

The CHAIRMAN: Would the committee be satisfied to meet at 3.30?

Carried.

The committee adjourned at 5.10 p.m. to meet on Tuesday, April 18, at 3.30 p.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 18, 1933

No. 17

Reference,—Milk and Milk Products

WITNESS:

A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, April 18, 1933.

The meeting came to order at 3.30 p.m. Mr. Senn, the Chairman, presided.

Members present: Messrs. Barber, Bertrand, Bowen, Boyes, Carmichael, Hay, Loucks, Lucas, McGillis, Moore (*Chateauguay-Huntingdon*), Mullins, Pickel, Porteous, Rowe, Senn, Shaver, Stirling, Tummon, Weese, Weir (*Melfort*), Weir (*Macdonald*), Wilson.

Mr. A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association, was called and sworn.

The witness addressed the meeting, outlining the scope and activities of the Association with which he is associated.

Questions by several members followed.

The witness retired, having been accorded a vote of thanks.

The meeting adjourned till Wednesday, April 19th, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, April 18, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: I have a letter here which I just received from Mr. Cousins, and I think it should be incorporated in the Minutes of Evidence. It is very brief, and I shall ask the Clerk to read it.

The CLERK: It is dated 12th April, 1933, addressed to Mark Senn, Esquire, Chairman, Agriculture Committee, and reads as follows:—

> DEAR MR. SENN,—In my testimony before the Agriculture Committee on Tuesday, in reply to a question, I stated that my full time was devoted to Ernest Cousins, Limited.
>
> What I really intended to convey was that all the time necessary for the successful conduct of the business was given by me.
>
> Will you kindly insert this in your minutes if you consider it necessary.
>
> Your truly,
>
> (Sgd.) ERNEST A. COUSINS.

The CHAIRMAN: It was our understanding at the last meeting that we should have Mr. Mercer of the Fraser Valley Milk Producers' Association with us to-day. I shall now call Mr. Mercer.

A. H. MERCER Called.

By the Chairman:

Q. You do not object to being sworn?—A. No.

Q. It has been customary so far.

Witness sworn.

Q. Give your full name and occupation to the committee.—A. A. H. Mercer, General Manager, Fraser Valley Milk Producers' Association, Vancouver.

Q. It is customary for the committee to hear the report or such evidence as you wish to give first without questioning, and then for the committee to have the privilege of questioning you. Have you a statement to make?—A. Mr. Chairman and gentlemen of the committee—

Q. I may say, Mr. Mercer, the acoustics here are not very good, and if you will speak fairly plainly it will be better for the committee.—A. Thank you. As I stated, I am the general manager of a co-operative organization, known as the Fraser Valley Milk Producers' Association. This organization was first incorporated in 1913 as a result of the dissatisfaction of the services rendered by private interests to the producer dairymen of our area. I might explain that the milk shed of Greater Vancouver and New Westminster extends up the Fraser Valley approximately 90 miles, probably a hundred miles from the salt water to the end of the milk production area. The valley is an average

of 10 to 15 miles wide. As I said a while ago, this organization was brought into being as a result of the dissatisfaction with services rendered by private enterprises.

During that period or at least previous to that time, we had two creameries, a cheese factory and an evaporating plant in the district. We were members, of course, of the different handling organizations. We were very proud of them, the effort they were rendering, but as a result of the competition between the various operations, we naturally suffered. We incorporated our association in 1915. However, we could not get the organization to function until 1917. While we were ready and willing to operate, we could not get sufficient support to justify us to commence operations until 1917.

During that year we succeeded in signing up some 35 per cent of the producers in the area, and got together some $8,000 in cash and $12,000 worth of farmers' notes, and the banks very generously discounted the notes 50 per cent, giving us some $6,000 extra, leaving us with $14,000 to start with. Those men that were responsible for the organization at that time, intimated to us farmers up in the Chilliwack Valley that eventually they expected that they would require some $300,000. We thought they were crazy. We did not think there was that much money in British Columbia, and we did not expect they would ever attain their objective. However, they eventually did that, and we went on and began operations. We found that in the year 1916 previous, that is the year previous to the commencement of our operations, as near as we could discover, we found the total production in the area I have just described, of some 200,000,000 pounds butter fat. The average value of the butter fat during that year was approximately 45 cents. We have statements in our office of milk shipments by the Shawn estate, during the year 1916, the total milk supplied or sold to the fluid milk market and the average return during that year, for fluid sales, was 46½ cents, the men that were shipping to the cream and cheese factories, getting 35, 37 and 40 cents.

By Mr. Pickel:

Q. Per gallon?—A. Per pound of butter fat. I might say in British Columbia we deal entirely in terms of butter fat. We think we are conservative when we suggest that the average value of the pound of butter fat during 1916 was 45 cents. In 1917, as I intimated previously, we commenced operations. Our fluid returns that year was 65 cents. I might intimate that that was not all due to the fact that we organized ourselves into a co-operative organization. It was largely due to the fact that the war was on and war conditions and prices prevailed. However, we believe that we were more successful in taking advantage of that situation than we would have been operating as private individuals. I might say we were very enthusiastic over our voluntary co-operative effort. We feel we were justified in doing so, because after twelve years of more or less successful operation, we had increased the production from 2,000,000 pounds to 6,000,000 pounds of butter fat, an increase of 4,000,000 pounds of fat. Now, ordinarily, when you have an increase of that importance to take care of, you naturally expect a decrease in the unit return. Again, a unit is a pound of butter fat. After twelve years, practically the same conditions, in so far as values were concerned, prevailed. That is, the consumer was paying one dollar for nine quarts of standard milk in 1916, and he was paying the same price in 1928. We find that the pound of butter sold at approximately the same price, and we had, as I said before, an increase of 4,000,000 pounds of fat to take care of; but our average unit return in 1928 has increased from 45 cents in 1916 to 60 cents in 1928—approximately 60 cents; so we were very proud of our effort. I might go back a little, to the year 1924. We found that it was necessary for us to make certain important additions to our capital expenditure. That year we

floated a bond issue of some $417,000, in order to provide ourselves with sufficient equipment to take care of production. With that, the result of that bond issue, we purchased the interest of the Pacific Milk Company. The Pacific Milk Company was an evaporating operation that we had previously been selling milk to. They expressed a willingness to dispose of their interests, and after very serious consideration we purchased their interests. We figured that that plant could be made to pay for itself in ten years. By the way, we paid $150,000 for it. During that time and previously, we had also been selling milk to another evaporating company in the area. We were very glad to realize that after five years of operation, the Pacific Milk plant paid for itself, and we owned it. That is, the additional unit return that we got out of the results of operating our own plant, as compared to the returns we got from the other company, multiplied by the number of pounds of fat handled by our own plant, was sufficient to retire the investment in five years; so that we own the plant now.

By the Chairman:

Q. We have heard of other large companies doing the same thing.—A. I might say we knew nothing whatever about the business of evaporating milk. We were just an innocent bunch of farmers. However, we were fortunate in taking over the sales force as well as the operating force in the plant. I refer to employees. The trade was not aware, for several years, that the ownership of that plant had changed hands. I think that was probably a very nice situation, that it didn't know it. With regard to the bond issue that I referred to, of $417,000, we undertook to retire 10 per cent of those bonds each year. We have done that so far. We have taken care of our obligations for eight years. We have two years to go yet, and we do not have any difficulty in taking care of our obligations in that respect.

I might intimate, Mr. Chairman, that we do not purchase the milk from our members. They send it to us on consignment, and we show a unit return from each avenue of sale. Probably I should have intimated previously that we have several avenues of sale that we take advantage of. We are, or at least we were at that time, in the fluid business. We were also in the evaporating business, selling to a private company; and also in the business for ourselves, and we made butter and cheese including cottage cheese, semi-solids, milk powder and casein. We ship our products to many countries of the world as well as to the domestic market.

Q. When you say fluid milk, do you include sweet cream in that?—A. Yes. We regard the cream sales as a fluid sale and we also regard—at least, we did as long as we were permitted to do so—the sales to the ice cream trade as a fluid sale, although it is actually manufactured. We did succeed for a number of years (until comparatively recently, within the last couple of years) in selling butter fat to the icre cream trade on the basis of fluid values; that is, it was a slightly lower price, but it was more in line with the fluid values than with churn or cheese values. We became quite important. We were operating, as I intimated previously, under the voluntary system of co-operation, and we were very successful up to a certain point. We discovered that the more successful a voluntary co-operative effort is, the more attractive, or the more incentive there is to pull away from it. In other words, we built up a fluid value from 46 or 47 cents to approximately 70 cents, without having changed the price to the consumer. When that took place, as I intimated yesterday, our production was increasing very rapidly, from 2,000,000 pounds to 6,000,000 pounds during the twelve year period; and naturally it was quite a temptation for farmers who were having to submit to the pool value of the various avenues of sale I mentioned a minute ago, which was in the vicinity of 60 cents. The temptation to supply or at least market all of their milk in the 70 cent market we had

established was too great for a very large number of our members to resist, and they began to pull away from us, and concentrate on the 70 cent fluid market, with the result that it became more difficult, from time to time, for our organization to show the results that it was designed to show. When we saw that coming to pass, we naturally came to the conlusion that there should be some restraining influence brought to bear on the shipper, to prevent this effort from breaking down. It was then that we sought legislation from the provincial legislature, and after some three sessions we succeeded in getting what is known as the Dairy Products Sales Adjustment Act. Naturally, we were advised at the time that this act would not stand the test of the courts, and we were also advised by what we considered very high constitutional authority, that the act was quite perfectly all right. Well, of course we took the advice that we thought the most of.

Q. That suited you?—A. That suited us, that is right; and we proceeded to administer the act. We functioned under that act during 1931, and we enjoyed in that year the most happy marketing relations that we ever enjoyed in the city of Vancouver. However, the act was challenged and challenged successfully, with the result that eventually we were denied the right to use or enjoy the influence of that act, with the result also that the fluid value crumbled in six weeks from 73 cents a pound butterfat to approximately 35 cents. Now, to indicate the value of the influence of that legislation on our market during that period, I might suggest that the fluid market of greater Vancouver and New Westminster will absorb about 3,000,000 pounds of fat per year.

Q. In other words, about half of your production?—A. Well, our total production during that year was approximately 7,000,000 pounds. This is 1930 I am speaking of, 7,000,000 pounds of fat. To illustrate the value of the influence of the act on the market, you must multiply the difference between 35 and 73 cents per pound butterfat by 3,000,000 pounds of fat. That will indicate to you the value of the influence of that legislation to the farmers of our area. I might say that the farmers got all of that money. Now, since that time, we have sought to correct the situation by what we call the independent shippers. Those are men that refuse to associate themselves with our co-operative organization, because they suspected that we paid very high salaries, that we were handicapped seriously by over-capitalization, and all of these suggestions that are made and designed to embarrass the officials of co-operative movements; and they had their effect, I must admit, with the result that some two or three hundred of our members—at least, men who were shipping independently of our organization, who succeeded in breaking down the values, who realized what they had done, decided that they would not join our organization. We said the next best thing to do is to join an organization of their own, and if they could produce better results than we had produced, then, if they had not any objection, we would join their organization. However, we are struggling along now under the two co-operative organizations with the result that we have succeeded recently in re-establishing somewhat the fluid values in the city. To-day they have made arrangements with the various organizations, and they have raised the price of milk to nine cents a quart, and they are charging the dairies 46 cents a pound butterfat.

The store price is a cent below the wagon price and the store has a cent margin; that is, the store pays 7 cents and sell at 8 cents, and the wagon sells at 9 cents.

As a result of the legislation that I mentioned some time ago we discovered that in the city there was a tremendous lot of waste in distribution costs, as a result of overlapping on the streets in the business of distributing milk to the consumer. There got to be so many distributing agencies on the street that

their spread was not sufficient to take care of their costs and allow them a reasonable profit. They got together. They decided that they had to make one of three choices: they either had to increase their spread by paying the farmer less money for his milk; or charge the consumer more money for the milk; or get together and reduce the costs. They chose, of course, the middle course. They decided to amalgamate the various dairies in the city which they eventually succeeded in doing, and which is now known as the Associated Dairies. That would not have been possible had it not been for the legislation which I mentioned a while ago. They were banking on that legislation to protect them from individual sniping by the farmers in the country.

However, the Associated Dairies has been carrying on very nicely. They have suffered somewhat as the result of competition from irresponsible dairies that sprang up in the meantime. A number of them started up with very little capital—and you realize I presume that the fluid milk business is probably one of the easiest businesses that we know to finance—the plan is, of course, that you can go out and purchase a bale of milk tickets, and proceed to sell them to the public for cash, and go out into the country, arrange for a supply of milk, and also arrange to pay for that milk from two weeks to six weeks later.

A number of these dairies that started up overlooked paying for milk at all, with the result that they were in a very much preferred position when it came to quoting competitive prices on the street. The agencies that purchased their milk from us, we saw to it that they paid for their milk—the price was low, but nevertheless they had to pay for it—while their competitors overlooked that little item of paying for milk, and naturally they were very serious competitors. Some of these distributors dropped out from time to time, and others cropped up in their place, with the result that we had a constant source of trouble in the market until this recent arrangement that has been in operation since the 25th of March. The last word I had before I left was they were still carrying on. There had been several little offences, but they had been patched up from time to time, and we hope the present arrangement will prevail for some considerable time.

However, after 15 years of an attempt to make a success of voluntary system of co-operative effort, we have come to the conclusion, sir, that it is impossible to make a complete success of it because the farmers themselves—the people that this effort is designed to help—are the people in each and every case that conduct themselves in the way that tends to destroy the effort.

I think, Mr. Chairman, that is all I have to say at the moment. I would be very glad to answer any questions you might care to ask.

By Mr. Barber:

Q. Mr. Mercer, you might tell us something about the membership of your association.—A. The membership at the end of 1917 was 880, to-day it stands at something over 3,500, not all of them are active members.

By Mr. Shaver:

Q. What do you mean by an active member?—A. An Active member is a member who is shipping. We have a share capital as well as membership. We have a contract, and also a shareholder's agreement; that is, a man can be a stockholder,—a shareholder—and not be an active shipper. He may have been a shipper at one time and just retired from the business and left his investment with the association. I might say that we financed the organization at the beginning, by voluntary contribution from $50 up to $1,000. Farmers would pay in in cash. We paid 6 per cent interest for a number of years at the beginning, and we eventually raised that to 8 per cent, because the holdings were not always equitable; that is, farmers that were not very large shippers

probably were very large shareholders, and vice versa; so that it was necessary to allow the current rate of interest that applied at the time, in order that the fellow who made it possible for us to exist by lending us money, so that he would not suffer unduly, we paid him 8 per cent interest. I might say that the interest rate is fixed by the members at annual meetings each year. This year, however, they decided to reduce the rate of interest to 6 per cent. We have approximately, at the present time, a million dollars of farmers' money invested in the organization. We own all our plants, all our equipment, our own blacksmith shop, build our own wagons, make our own harness—do everything within our own organization, and the farmers own every bit of it. And another thing, Mr. Chairman, we never got a dollar from the government yet. We have no intention or desire to ask the government for any money. We believe that this is a business and that it should stand on its own feet. We believe it can stand on its own feet, and the only people on earth that can defeat it are the people out in the country that it was designed to help; and they can lick us every time they take the notion and as often as they like.

Q. What percentage of the milk do you control in the Valley?—A. Approximately 80 per cent.

By Mr. Pickel:

Q. How much are you getting at the present time for butterfat?—A. Our fat value is approximately 27 cents per pound at the moment. Now, I fancy that it would probably be higher than that as a result of the recent increase in price in the fluid market.

Q. You have known as high as 73 cents?—A. That is the value of the sale to the fluid market. We have been as high during 1918 and along there—we paid our farmers 1.05 a pound butterfat, but we don't consider those normal market conditions. We paid from 35 cents to $1 to $1.05.

Q. At the present time Mr. Mercer what would be average price per quart or per gallon on your 27 cent per pound butterfat?—A. At the present time the price is 9 cents a quart for standard milk.

Q. That is, to the consumer?—A. That is to the consumer, yes.

Q. What is that to the farmer?—A. The farmer would realize on that—46 cents per pound butterfat on 4 per cent milk—I could calculate that for you.

Q. Is your average 4 per cent?—A. That is the basis, 4 per cent. Our milk in the winter time will average close to 4 per cent.

Q. What would it average over the year?—A. I would say possibly 3·7 or 3·8, along there.

By Mr. Tummon:

Q. Mr. Mercer, you stated that the milk production area was approximately 100 miles, comprised by the Fraser Valley?—A. Yes.

Q. And that would be how wide, on the average?—A. It varies, I would say from 10—well, away at the upper end it is very narrow, possibly a couple of miles, and it includes the Fraser river, then it will get in places probably 15 miles wide at the widest places.

Q. Do I understand then that it is a Valley approximately 100 miles long and perhaps averaging 8, 9 or 10 miles wide which comprises a milk producing area for Vancouver and New Westminster?—A. Approximately, yes.

Q. Outside of that area have you a thickly populated settlement?—A. No, the settlement is practically all inside of that area.

Q. Then we might take that district as constituting a unit?—A. Yes.

Q. Separated by itself?—A. Yes.

Q. Very well, and it was that district that you sought to organize in your association?—A. Yes.

Q. You, perhaps, were fairly well situated in that regard?—A. Yes, there were geographical possibilities that we took advantage of.

Q. Geographical possibilities that perhaps are not so available to other parts, I have in mind for example Ontario and Quebec, you could start I presume at the city of Quebec and go to the western border of Ontario at Windsor and you would have practically one area. What I am coming at is this, that it seems to me that you have an advantage there in regard to getting your people organized that perhaps does not pertain to other cities, or around other cities?—A. That is possibly true, we have an advantage that other districts have not got but I don't consider that an insurmountable difficulty.

Q. I was coming to that, with your experience have you anything to suggest how that might be carried out in other districts, where there is not a unit like that surrounding Vancouver?—A. I am confident that that could be worked out. I would hesitate about supplying you a plan just from this point at this time, but I am confident that Ontario and Quebec having probably a larger consuming population, that is they have a smaller surplus problem than probably we have—because you have many large industrial centres, and while it is true you have very large production you also have a very large fluid market, and our plant and business there is based, and our commodity values are based f.o.b. Vancouver.

Now, then, you could by careful study of the location of your consuming centres and your production areas, it could be arranged by using f.o.b. certain consuming points as your basis for settlement. You could use the cost of getting the milk at that point to your advantage in discouraging people from slipping into the market that they really don't belong to—probably the desire to slip in comes more or less from the building up of values—and that would be discouraged by the necessity of long hauls. The natural sale comes from milk. There we were up against the same thing when we were administering our Dairy Products Sales Adjustment Act. For instance, they could have shipped milk from Vancouver island; they could have shipped milk from the Okanagan, but the cost of getting it there was just too much. It paid them better to keep it at home than take care of it there, and that is the only safeguard we have; and I fancy that could be worked, maybe not as easily as we did, but it could certainly be worked out.

Q. Now, then, we have discussed the area. I wonder if we could consider the market for a little while. Now, you enumerated a short time ago the different products that the milk went into, or the products from that area went into. Can you tell the committee approximately how much of the production of that area, or what you received, was consumed in the district?—A. In 1931, that was the last year that we operated—that is that is the last year we operated in the fluid market—since that time the Associated Dairies has been taking care of that responsibility.

Q. Then, I understand that up to 1930 you operated as a company yourself, as one of the companies in the fluid market?—A. Yes. We were a distributor.

Q. But since that you have the Associated Dairies. Are they a combination?—A. Yes, of 14 different important dairies in Vancouver amalgamated into what is known as The Associated Dairies, including ourselves.

Q. Is it fair to ask what interest you hold?—A. Yes. We hold about 53 per cent.

Q. You hold the controlling interest?—A. Well, we hold more than 50 per cent of the stock, but the stock does not vote. We have not got the majority of the board.

Q. I see. You had 1930 there?—A. Yes. You asked for the quantities.

Q. How much of the fluid milk production of that area was marketed in the area or in the district?—A. Now, we sold fluid milk, 1,251,991 pounds of butterfat.

Q. Out of a total of how much butterfat?—A. Out of a total of approximately 4,428,712 pounds of butterfat.

Q. Now, you said you marketed in fluid milk 1,000,000—.—A. 1,251,991.

Q. Now, what else did you have—sweet cream?—A. In addition to that, there was the quantity sold to the Associated Dairies. In addition to that we sold to other dealers 744,797 pounds of fat.

Q. That amounts to approximately 2,000,000 pounds of butterfat?—A. Yes. Now, the Associated Dairies—no, that is our own fluid sales. We were in the fluid business ourselves that year. Those sales gave us a unit return of 74·7 cents per pound of butterfat. That was the net unit return as the result of our own fluid sale effort. Now, we sold 744,797 pounds to other dealers who were competitors of ours on the street; they took care of approximately 20·3 per cent of our total production—the dealers all. Our own association sold 19·8 per cent of our total production. I showed you a minute ago the net return as the result of our own effort, 74·7. The price we got from the dealer was 70·3 cents.

Q. Just following on, I would like to get at, if I can, just what proportion of your production in that area was shipped to markets outside of your own local market—not consumed in your own local market?—A. That would be foreign sales?

Q. Foreign sales.

The CHAIRMAN: Or to other parts of Canada.

Mr. TUMMON: Yes to other points of Canada; outside his own district.

The CHAIRMAN: Outside of the Vancouver market.

Mr. TUMMON: Yes.

The WITNESS: I could give you the figure approximately.

Mr. TUMMON: Very well.

The WITNESS: Our Columbia milk—that is an evaporated milk made according to the British standard and all is exported—it took care of 3·2 per cent of the total production. That all went outside. Now, in addition to that there was a prairie sale of Pacific milk amounting to ·3 per cent.

The CHAIRMAN: Is that an evaporated milk also?

The WITNESS: Yes. ·3 per cent. And in addition to that we have an export Pacific milk that sold to the Orient and represents another ·3 per cent. Now, we export a very unimportant quantity of butter to Japan and no cheese at all. We do export considerable skimmed milk powder. That is a by-product of butter and would be included in our butter sales. So it is not an export of fat, but rather of skim milk.

The CHAIRMAN: It is not casein?

The WITNESS: No, it is not casein. Casein is also a skim milk product and is not represented in terms of butterfat.

By Mr. Tummon:

Q. Then, according to that, Mr. Mercer, it would be perhaps safe to say that less than 8 per cent of your total manufactured product is disposed of outside our own district?—A. Outside of our own province?

Q. Outside of your own province?—A. Yes.

Q. I think that is rather interesting because we get a picture of the area of the production and a picture of the market area that is quite unique in that way. Now, I think you said that in 1917, was it, that the producers were paid a price of 45 cents per pound of butterfat?—A. As near as we can arrive at it, that was the average or pool value of the pound of butterfat—all markets.

Q. When you started your operations?—A. Yes.

Q. And twelve years afterwards when the retail prices of the different articles that you were manufacturing were approximately the same price?—A. Yes. The consumer was paying approximately the same price.

Q. The consumer was paying approximately the same price and you were able to return to the producer approximately 60 cents per pound butterfat?—A. Yes.

By the Chairman:

Q. For all products?—A. Pool value.

Q. For all products?—A. Yes. I can give you the correct figure on that. 58 cents is the correct figure. I said approximately 60 cents; I was speaking from memory.

By Mr. Tummon:

Q. I see. Well, at 45 cents per pound of butterfat on a hundredweight of milk containing 3·5 butterfat, as we have been accustomed to discuss it here, that would be a price for a hundred pounds of approximately $1.57, if I have figured it correctly?—A. At what price?

Q. Forty-five cents. 3·5 milk?—A. Yes.

Q. And if you paid 58 cents on that same 3·5 milk 12 years afterwards it would mean in the neighbourhood—I have it figured at 60 cents—it would mean in the neighbourhood of $2.04, approximately?—A. $2.03.

Q. Now, then, during that time, or at the time you were paid 58 cents per pound butterfat, that was after all operating expenses had been deducted?—A. Yes, that is the net unit return.

Q. That is the net unit return?—A. Yes.

Q. All taxes?—A. All taxes, interest and depreciation.

Q. What about indebtedness?—A. Yes.

Q. Were you pasteurizing your milk at the time?—A. Yes.

Q. That paid for pasteurization?—A. Oh, yes.

Q. Distribution costs?—A. Yes.

Q. Have you any idea, Mr. Mercer, what the cost is for the processing of milk per quart? Can you give the committee an estimate of the cost per quart —in your case it is confined to you—we cannot take the cost—but what is the cost of processing milk and putting it on the doorstep?—A. Well, now, you would include by processing—you would include delivery costs?

Q. Delivery costs, pasteurization, bottling—everything that is required in connection with distribution from the time the raw product comes into your hand until it goes upon the consumer's doorstep?—A. It is impossible to answer that question without knowing the conditions under which you have to function. I refer particularly to competition—competitive tactics or methods. For instance, under average normal conditions 5 cents a quart should be ample to take care of operations. Now, I can imagine conditions where 5 cents would not be sufficient; that is when you have 7 or 8 waggons following each other along the streets each morning. I can imagine that that would hardly take care of it. I might indicate that when we started in the business of distributing milk in 1919 the spread allowed per gallon was 29 cents, a little over 7 cents a quart, and we reduced that. When we show a return here of 70 to 74 cents that provides for a spread of less than 5 cents a quart. Now, it is governed largely by the competition that the dairy has to comply with, and capitalization is another, depreciation comes into the picture, the size of the load, and the condition of the labour market.

Q. You would say, however, that 5 cents would perhaps per quart be an average?—A. I would say it would be reasonable. I do not think any person could complain at a 20 cent spread. That is 20 cents per gallon or 5 cents per quart.

Q. Now, in your operations did you dispose of any of your products? That is while you were operating your own manufacturing plant did you dispose of any of your fluid milk to other companies that were operating similar plants to your own?—A. Yes. We supplied milk to a little local cheese operation—that is a fellow who made a fancy swiss cheese. He bought his milk from us—and we also supplied milk to a competitive evaporating company.

Q. A company that was evaporating milk the same as you were in your business?—A. Yes, the same standard of milk.

Q. Have you any comparisons that you could give the committee as to the returns that came back to the producer for that portion of the milk that went to the evaporating plant, and what came from your evaporating plant?—A. Yes, I have them here. Our domestic Pacific milk; that is, the result of our own operation—

Q. Evaporation?—A. Yes; during 1930. What we mean by domestic milk is the British Columbia milk only. You understand that? As we advance out into further fields, our returns are less.

Q. But the company that I am making comparisons with, confine their sales largely, I presume, to the British Columbia market, so that in order to make a proper comparison in that regard, both plants are on the same level?—A. Yes. Our own plant showed there a unit return of 61 cents.

Q. Per pound butterfat?—A. Per pound butterfat for 1930.

Q. After all expenses were paid?—A. All expenses were paid; and during that same year the net unit return to the other company was 45½ cents per pound of butterfat.

Q. That is the net return?—A. To us.

Q. To you for the milk that you sold?—A. Yes. Now, we sold them that at a slightly higher price than that, but naturally we had to allot a certain proportion of our overhead costs to that sale, otherwise that proportion of production would not be bearing its fair share of the general overhead expenses, such as directors' fees, head office expenses, and so forth. They are allotted to that as well. It bears exactly the same proportion in that respect as our own plant, with those items.

Q. So that there was a difference of approximately 15 cents per pound butterfat?—A. Yes.

By the Chairman:

Q. I suppose they purchase a certain amount of supplies from farmers as well?—A. No, they purchase all the requirements from us.

Q. Where do the associated dairies about whom you speak get their supplies?—A. They get their supply from us.

Q. Altogether?—A. No; they have shippers as well. I might say that they have independent shippers, probably 150, but under an agreement with us they pay their shippers exactly the same settling rate per month, which is the pool settling rate, as we pay our shippers. The difference between that and their recognized value of milk to the fluid market is paid to the Fraser Valley Milk Producers' Association; so that they do not profit in any way as a result of having bought milk independently of our organization.

Q. Let me ask another question that may affect the situation regarding your values. This evaporated milk that you sell in the province of British Columbia, I presume, goes largely to lumber camps and mining districts?—A. Yes; and a very large portion of it is consumed right in Vancouver.

Q. Would that affect the price in any way? You have a better market than the average market in Ontario, say, for evaporated milk?—A. Well, I really do not know the prevailing prices of evaporated milk in Ontario. I presume they are the same as they are in British Columbia, approximately $4.25 a case, less certain discounts that are recognized in trade.

Q. Can you bring your figures down to the year 1932. Most of the evidence has been given for the year 1932 in regard to the prices at Montreal, etc. Can you give us an idea of the returns to the producer per 100 pounds of milk for that year?—A. The reason I gave 1930 was that it was the last year that we were engaged in the fluid business, and naturally I gave that year. Now, 1932 of course, is not as nice a picture, largely as a result of world market values having gone down materially, and very largely as a result of an unnecessary low market in the fluid business.

Q. You suffer from competition?—A. Yes. Now, in 1932, our unit return was 28·67 cents per pound of butterfat.

By Mr. Tummon:

Q. Per pound of butterfat?—A. Per pound of butterfat.

By Mr. Pickel:

Q. To the producer?—A. To the producer.

By Mr. Tummon:

Q. Would that be net to the producer after all transportation charges?—A. No, that is f.o.b. Vancouver. We have deductions ranging from 13 cents per hundred pounds, to 20 cents per hundred pounds.

Q. The average we would be safe in saying, would be 15 cents per hundred pounds.—A. Yes, probably a little more than that, probably 16½ cents, because the zone—I think a 20 cents charge applies to, represents a very large portion of our total production. I am thinking of the Chilliwack valley.

By the Chairman:

Q. For 3·5 milk? At 20 cents, that would be about $1, would it?—A. Yes, a little better than a dollar.

By Mr. Barber:

Q. You pay so much for skim milk; does that include that?—A. No, that is the total value per pound of butter fat.

By the Chairman:

Q. That you return to the producer?—A. Yes.

By Mr. Pickel:

Q. Mr. Mercer, just before the committee leaves that, what would be the net to the farmer per hundred pounds, providing the transportation was 16 cents?—A. Based on 3·5 milk?

Q. Yes.

By Mr. Tummon:

Q. You said your average was 3·8?—A. Yes. Now, that average of 3·8 is an approximate, or it may vary up or down.

By the Chairman:

Q. Most of the quotations from this district were given on 3·5 milk. If the average was higher, they gave a premium, and that is the reason why I asked for 3·5 milk.

By Mr. Tummon:

Q. It would be approximately 85 cents per hundred pounds?—A. 84·345, providing 16 cents is the average price charged.

By Mr. Bertrand:

Q. Is that the fluid milk prices?—A. That is the pool value for all markets.

By Mr. Tummon:

Q. At that time, what was milk retailing at to the consumer?—A. All the way from 12 to 20 quarts for a dollar, nobody knew what the price of milk was.

Q. Was there a milk war on?—A. Oh yes, and it was a dandy.

By Mr. Pickel:

Q. Would those figures apply to-day?—A. No; we have succeeded in reestablishing to a certain extent the fluid values in the city.

Q. What would be the approximate price, I mean, to the producer?—A. To-day it would be probably up three or four cents, better than that.

By the Chairman:

Q. If you had a 100 per cent control of the milk produced in the area, what do you think you could pay to the producer?—A. If the world products value—

Q. Under prevailing conditions, with the prices of butter and cheese as they are to-day.—A. Approximately, we could pay them approximately 40 cents a pound butterfat. I am satisfied that a pound of butterfat would be worth 40 cents under complete control.

By Mr. Pickel:

Q. Under complete control would it be possible for the farmers to receive a 50-50 division of the selling price?—A. Now, it all depends. What you have in mind, sir, I gather, is in the fluid market, out of the consumer's dollar, would there be available 50 cents for the producer. It all depends on the value of the market. Understand, the costs are more or less stable, approximately 20 cents a gallon is necessary. Now then, a question as to whether 50 cents of the consumer's dollar is available to the farmer or not, is governed by the price of milk. If the price of milk is high, there is, probably, more than 50 cents of the consumer's dollar available, but if the consumer's dollar shrinks to very close to the cost of delivery—after all, you cannot expect distributing companies to be philanthropic—

Q. Accepting the standard of 10 cents a quart?—A. Yes.

By Mr. Shaver:

Q. Where would you get that additional 11·4 cents?

The CHAIRMAN: Let Mr. Mercer figure out what he was after.

Mr. SHAVER: Yes.

The WITNESS: At 10 cents for milk, there should be approximately 50 cents of the consumer's dollar, assuming the cost, the spread allotted is 20 cents a gallon, it just breaks 50-50.

By the Chairman:

Q. Would not the price of butter and other products enter into it as well?—A. Well, the gentleman asked the question in relation to fluid milk only. Now, I fancy the farmer—there is considerably more than this 50 cents of the consumer's butter dollar available for the farmer because the cost of manufacturing and getting over to the consumer a pound of butter is very much less than getting the pound of butter fat over to him in the form of fluid milk, because you have to handle a hundred pounds in weight in order to get 3½ pounds of fat over to him. That is the point.

By Mr. Shaver:

Q. I think you said, Mr. Mercer, that if you had 100 per cent of the farmers in your area in your asosication, you would be able to pay them 40 cents. That, I understand, would be 11·4 cents more than you are paying them at the present time.—A. Yes.

Q. Where would you get that adidtional 11·4 cents? By taking 100 per cent of the farmers in your asociation, would you be able to raise the price to the consumer? Would that be the idea?—A. Yes, I would presume we would raise the price to the consumer in Vancouver to approximately the same as he is charged in other cities like Vancouver, which is approximately 10 cents a quart. Ten cents is a fair price for milk.

By the Chairman:

Q. Lessening the cost of distribution as yell, would you not?—A. Oh, yes. I might say just along that line that I did not complete my statement in respect to the purpose of the Associated Dairies. It was designed to eliminate unnecessary distribution costs. It was estimated that 100 wagons could be eliminated from the business of distributing milk in our city; and it was estimated that it cost approximately $2,000 to keep a horse, a respectable horse, wagon, harness, and equipment on the street, a year.

By Mr. Tummon:

Q. Including drivers?—A. Including the driver's salary. One hundred wagons at $2,000 each is considerable money, $200,000. It was a real honest objective to aim at, and they proceeded to do that, Mr. Chairman, up to the point where they had laid off 54 wagons, but they found they had to quit it, because just as often as they laid a wagon off, the farmers rose up in the country and put it back on again, with the result that to-day there is just as many wagons in the street as ever there were; and on every occasion it is done by the fellows out in the country that you are trying to help.

By Mr. Lucas:

Q. I would like to ask if the chain store competition has been a factor in it at all, and if so, just how?—A. Well, the chain store is one of the factors, and the other stores are some of the other factors, and practically everybody that is in the business is the rest of the factors, including the farmers themselves. Just at the moment, with this arrangement that we are trying to initiate in Vancouver a present, we are getting very excellent support from the large chain stores. Our trouble is largely with the smaller chain stores; and I am not casting any reflection on them by that. They probably do not understand, and I am satisfied that we will be able to overcome that little obstacle; because after all, that is what obstacles are for, to be overcome.

By Mr. Tummon:

Q. Just along that line, have you any complaints or any trouble with chain stores featuring milk at a low price?—A. Yes, we had trouble, at the time that our market values were crumbling. There were certain chain stores that saw fit, on Fridays and Saturdays, to put on specials; when the store price was eight cents, they would put on a special for Friday and Saturday at seven cents, and so forth, until the store price got down to a nickel in many cases. Just on that point, I might go further, and indicate that milk is the only food commodity that we know of at the present time that has to be purchased every day. We don't know of any other commodity; with butter, bread, beans or bacon or anything like that, you can buy two or three days' supply, but milk, you must go every day. Therefore it is the most attractive leader that we know of for any store that wants to participate in those tactics. I might say that in 1930, during the time we were operating under the influence of the act that I mentioned, I said that we had most happy marketing relations. For your information, the store prices and the wagon prices during the whole of that year were exactly

the same, eleven cents a quart, and we had difficulty with only one store during that period. That worked along very, very nicely. At the moment, the chain stores insist on having the advantage over the wagon of one cent a quart. They tried to get two cents, but we succeeded in limiting them to an advantage of one cent per quart. Personally, I do not think that the store is entitled to any advantage whatever; I think they should sell at the same price as the wagon.

By the Chairman:

Q. Mr. Mercer, may I ask another question; I suppose there are two sides to every question. If you had full control, 100 per cent control of the milk in your area, would you find that the consumers would ultimately object? You would practically control the price in that case to the consumer and could make it what you like. Would you have any trouble with the consumer?—A. No, I would not anticipate any trouble at all from the consumer, providing I exercised just ordinary judgment. In other words, if I behaved myself, they would have no cause to object, and I could not afford to do anything else but behave myself. Now, then, I might go back—

Q. Why?—A. Because it would cost me too much money. After all is said and done, the consumer is the boss. You can fix the price at any figure you like, Mr. Chairman, but you cannot make that lady continue to buy three quarts; she will get along with one. That is where I changed over and many other people too. I might mention away back in the early days when we were probably not as familiar with the psychology of the public as we are at the moment, we got quite complete control; we got quite chesty, and we put the price of milk up from eight quarts for a dollar to six, and we were selling 7,000 gallons a day at eight quarts for a dollar, 12½ cents a quart. We raised up the price to six quarts for a dollar, and we found inside of six weeks that we were only selling 5,000 gallons, and that didn't pay us very well.

Q. Could they use some substitute, such as evaporated milk?—A. Yes, they could do that, but that is not what happened; they just got along on two quarts instead of three or four, and we found that at six quarts for a dollar we had actually less money for our farmers than we had at the lower price; and we have also found after twelve or fifteen years' experience that eleven cents a quart in Vancouver is the most profitable price to the farmers in that area. When we raise it from eight quarts for a dollar, we find that consumption goes down sufficiently to neutralize the advantage in price; and also when we sell at the lower price, our business does not increase to take up the loss. Now, I am speaking of normal conditions, which do not exist at the present time.

Q. I suppose that you will never get 100 per cent control without legislation?—A. No.

Q. It would only be fair, if legislation were brought in at any time, to see that the consumers' interests were safeguarded in that legislation, as well as yours?—A. Yes.

By Mr. Pickel:

Q. What is the capitalization of your company?—A. The capitalization of our company was $1,000,000 until the last annual meeting; and we just took the lid off and raised it, and I think it is somewhere around two and a half million dollars now. I would not be sure on that point.

Q. What is the relative value of your assets and capitalization?—A. I would have to consult the records to answer that question. However, I think we have a very considerable margin on that particular point, for the Associated Dairies, it was represented on our books at the value of $389,000. Those assets were appraised by the Canadian Appraisal Company at $608,000; so that we feel that our values are all right.

Q. What do you set down as depreciation?—A. Well, I don't know—

Q. Have you different sums for different items?—A. Yes, it varies, of course. For instance, on concrete structures it is a very low rate; on mill construction it is higher. On cans I think it is 25 per cent; trucks and so on.

Q. Machinery?—A. Yes.

Q. How much on machinery?—A. I could not say without consulting the records. Depreciation on machinery is very high.

Q. Profit and loss account, bad debts?—A. Yes, we have a reserve for bad debts.

Q. What about bottles?—A. We have no bottles; we are out of the business. We are not in the distributing business. That is Associated Dairies. We have an interest in that, another company.

Q. You have discontinued distributing altogether?—A. Yes.

By Mr. Tummon:

Q. Mr. Mercer, you had some experience, or your company, in the selling of sweet cream to the markets?—A. Yes. I might explain that as I mentioned before, we consider the sweet cream market as a fluid sale, and we usually charge about seven cents a pound butterfat less for fat in cream than we do for fat in milk, so that to-day when the price is 46 cents, the price of cream suitable for the sweet cream market is 40 cents a pound butter fat. The difference to-day is six cents a pound butterfat, which just about represents the value of the skim milk contained in the can of fluid milk that is not present with the cream. We only charge for the fat.

Q. The cream that you used for the sweet cream trade you bought as sweet cream, did you?—A. No, we don't. We buy nothing. It is sent to us on consignment. We dispose of it.

Q. Well, on consignment; it comes to you as sweet cream?—A. Not necessarily, no.

Q. Or as fluid milk?—A. I would say that 95 per cent of our milk we buy comes to us in the form of fluid milk.

Q. Then you would separate that for your sweet cream trade?—A. Yes.

Q. Could you answer this question: supposing that you received 100 pounds of fluid milk and you skimmed it and put it in the sweet cream and sold it as sweet cream, would that be as profitable as if the 100 pounds of milk were sold as fluid milk?—A. Yes, it would be more profitable.

Q. That is what I wanted to get at.

Mr. Pickel: Sure it would.

By Mr. Tummon:

Q. Have you any figures or idea that you can give to the committee?—A. No, I could not give you any figures, apart from the fact that we will say that the can of milk originated in Chilliwack, which would contain 3½ pounds of butterfat; the cost of getting that to market would be the cost of picking it up and getting it to market, which would be exacly 28 cents. That may confuse you somewhat. I mentioned a while ago that the charge to the farmer was 20 cents; the cost to the association is 28 cents; but as a result of having plants out in the country, we don't have to charge; we avoid, in other words, paying out large sums of money to transportation companies by having manufacturing plants in the country. Coming back to the question, you would reduce 100 pounds of 3½ per cent milk to approximately 12 or 15 pounds.

By the Chairman:

Q. Of 30 per cent cream?—A. 30 per cent cream. Now, in the case of the freight cost on the 100 pounds of milk, it would be 20 cents, the cost on the same amount of fat. The weight has been reduced, you understand, to approxi-

mately 12 or 15 pounds; so that the saving in freight would bring your cream values to the fellow in Chilliwack actually more attractive than the other; at least, I presume that is the way it would work out.

By Mr. Tummon:

Q. That is, it would be, if milk went to a receiving station before coming to your plant at Vancouver?—A. Yes.

Q. But take a fair illustration; suppose you take two cans of milk with a butter content of 3·5, and they both came into your plant at Vancouver, and the one was sold as fluid milk and the other was sold as sweet cream—skimmed and sold as sweet cream. Is the one that was sold as sweet cream as profitable as the can of milk that was sold as fluid milk?—A. Now, then, are you directing your question from the standpoint of the shipper or from the standpoint of the association?

Mr. PICKEL: Both.

By Mr. Tummon:

Q. Well, so far as we have gone, it is from the standpoint of the association.

By the Chairman:

Q. Put it this way, Mr. Tummon, from which would you get the better return?—A. Why, it is just a little bit different to our usual operation, and it is somewhat difficult for me mentally to calculate the advantage. We have reduced the rate, for instance, of the commodity from 100 pounds to approximately 12 pounds; therefore, we pay freight as on fluid milk on 100 pounds, or 20 cents—we pay freight on 12 pounds at approximately the same rate, so that our freight obligation has been considerably reduced. In addition to that, we have 85 pounds of skimmed milk that we have kept back in the country plant, the average value of which last year—I just forget now how many million pounds we sold—but the average return per 100 pounds on that was 20·03 cents per 100 pounds. So that we had 85 pounds of skimmed milk at a value a little better than 20 cents a hundred in addition to the saving we have made in freight, and we have disposed of the cream at the rate of 40 cents a pound butterfat, as compared with 46 returned from the fluid sale.

Q. Do you sell your sweet cream by the butter fat content?—A. Yes.

Q. You don't sell it by the half pint, or pint?—A. Oh no, we sell to the Associated Dairies. They sell by the pint and the half pint.

Q. They make a commission on what you sell to them?—A. Yes, I fancy they make a profit on their operations.

By Mr. Pickel:

Q. Do you sell certified milk or special milk?—A. Yes, we have several brands of milk—we have far too many brands of milk—we have breed milks and that has cost us a lot of money. There is one certified dairy in British Columbia. What I mean by certified dairies, is a dairy that has their employees inspected every two weeks by medical inspection—they parade them up there to the hospital, and they have them properly inspected—they are certainly very strict regulations under which they function. The gentleman who operates this dairy is a member of our association and he disposes all his milk through our association, and in turn it is placed on all of the wagons belonging to the Associated Dairies, and the sale price of that milk is 15 cents per quart—originally it was 25 cents. In addition to that, we have what we call Vancouver approved—that is a milk that is bottled on the farm, and delivered in cases and bottles to town and delivered by the various wagons.

Q. That is not pasteurized?—A. No, that is raw milk. Then, of course, we have pasteurized milk; and then we have Jersey, and we have Guernsey, and we have 5 per cent, and we have 4 per cent, and standard milk—and it all adds to the cost of distribution.

Q. Does the Borden company operate at all in Vancouver?—A. No, they are not in the fluid business.

Q. What are they doing there?—A. They are in the evaporated business.

Q. Where do they get their milk?—A. They get it from us.

Q. Do you furnish any other companies with milk for manufacturing purposes?—A. No, not at the present time.

Q. Do you know, Mr. Mercer, the price of cream per half pint in Vancouver; that is, the 10 per cent, the 20 per cent, and so on.—A. I have the prices here.

Q. What are the different percentages, Mr. Mercer?—A. The Cream is around 10 per cent; table cream usually around 20 to 22 per cent; and the whipping cream is 25 per cent. I think that is what it is, but I would not be sure about it.

Q. Can you give us the approximate prices of these different brands of cream per half pint?—A. I am sorry to delay the committee. I just don't happen to be able to locate this at the moment. Pasteurized milk 3¼ cents, minimum standard half pints 3 cents; gallons 25 cents

Q. That is for milk?—A. That is the prices to the stores—that is not the statement that I wanted. Pasteurized milk, 11 tickets for a dollar, that is 9 cents a quart; pints 17 for a dollar. Guernsey 9 tickets for a dollar, guernsey pints 13 tickets for a dollar. Jersey milk, 9 tickets for a dollar; jersey pints 13 tickets for a dollar. I will give you this slip, hand it in to you. Creamo—that is the 10 per cent—half pints 5 tickets for 75 cents.

Q. Is that for pints, or for half pints?—A. That is pints. Half pints, 12 tickets for a dollar Table cream, half pints 5 tickets for 75 cents. Table cream quarter pints, 12 tickets for a dollar. Whipping cream, half pints, 25 cents each.

Q. That is twenty-five per cent, Mr. Mercer?—A. Yes.

Q. Twenty-five cents? —A. For the half pints quarter pints 15 cents. Buttermilk. 14 tickets for a dollar.

Q. That would be 50 cents a pint for the whipping cream?—A. That would be 60 cents—quarter pints at 15 cents.

Q. Oh yes. Your Association to-day is doing a wholesale business?—A. Yes.

Q. You are not in the retail business at all?—A. No.

Q. In ice cream, in buttermilk or anything else?—A. We have a small ice cream operation at Chilliwack. We were in the ice cream business at one time, but we also joined the amalgamation with different companies in that as well, and we are not permitted to engage in the business within a radius of fifty miles of Vancouver.

Q. Can you give us the cost on a gallon of ice cream?—A. No, I could not give you that. We are unimportant in the ice cream picture. That I could not give you any reliable information on.

By the Chairman:

Q. You seem quite confident, Mr. Mercer, that the same system could be followed out in Ontario and Quebec as you are following. Would there be a limit to the volume of business that one concern would do; or would you say that the whole of Ontario and Quebec should be operated under one control? —A. Yes, I believe it would be possible to have—

Q. According to the British report here—that of the re-organization commission on milk—they have advocated dividing the Island into regions?—A.

Well, what I meant, I thought that would be advisable, Mr. Chairman, but they should be under one control; that is, in the matter of legislation.

Q. Some central control?—A. Yes, I think probably Ontario province could e divided up, that is a certain group of men could establish boundary lines d constitute themselves into a unit in order to function under some control easure.

Q. I suppose those areas further removed from the towns and cities would ave their milk turned into butter and cheese, and so forth?—A. Yes, or if they are within hauling distance of a city—that is, if it is possible for that district to get their milk to town in a condition that is suitable for the fluid market—they should be considered as potential fluid market milk shippers; because, when it comes to a showdown they will do it anyway.

Q. Another question before I forget it, it is rather apart from what I have been asking just at the moment; do you pay a premium to your shippers who are sending from inspected stables and accredited herds?—A. No.

Q. Or are they all accredited?—A. No, the herds are not all accredited, but the area is accredited, and then in addition to that we have accredited herds as well. Now, we make no difference in the settling rate as a result of the grading of the premises. We do make a difference in the settling rate according to the grade of the milk. In other words, we are not in the business of selling premises, we are in the business of selling milk; and when the milk is right we figure that the methods on the farm including the equipment must be right or the milk would not be right; in other words, we find after careful bacteriological examination of milk spread over a period of seven or eight years, that we don't always get our best milk from our premises that grade "A".

Q. Your premises are subject to inspection?—A. Yes, we have a provincial inspection. On the other hand, some of our best milk comes from farms that grade "B" and "C".

Q. How do you account for that?—A. Well, it is more a question of method —the man, I presume, has a great deal to do with it.

By Mr. Pickel:

Q. The human element, you mean?—A. Yes, the human element.

By Mr. Tummon:

Q. Mr. Mercer, just a question that has been bothering me a little bit lately. Our investigations, for example in Montreal; milk is retailing there at 9 cents a quart—I think you told us that milk is retailing in Vancouver at 9 quarts for a dollar?—A. No, 11 tickets for a dollar.

Q. That would be 11 quarts for a dollar; then that is practically the same price as at what it is retailing in Montreal—eleven times nine is ninety-nine?—A. Yes.

Q. I think you told us too that the prices the producers are receiving per pounds of butterfat is something like 27 cents per pound?—A. Twenty-eight.

Q. At the present time twenty-eight?—A. Yes, that was the average for 1932 for that particular sale. Now that was the full value, and that is the result after approximately 65 per cent of that total production was manufactured, and the 35 to 40 per cent of it was sold as fluid. The full value was 28·6 or ·7.

Q. That is for the milk that went into all the different things?—A. Yes.

Q. It was the average price?—A. The average value of the total production sold by the various avenues of sale that we have.

Q. That according to the 3·5 pounds butterfat net the producer back after freight was taken out, approximately 85 cents a pound?—A. Yes.

Q. Now, on the evidence so far we found that the farmer around the Montreal district is averaging more than that?—A. Yes.

Q. How do you account for your co-operation?—A. In order for me to account for that, Mr. Chairman, you will have to give me the privilege of asking this gentleman a question. I cannot account for it unless I have that privilege.

The CHAIRMAN: Certainly. Go ahead.

The WITNESS: Just what is the relation of total production to fluid sales in the Montreal area? The figure you quoted for Montreal is it for the market milk only, or is it the pool market value?

Mr. TUMMON: No. When I quoted that I did not quote the average. I think several of the companies said their average would run about $1 a hundred.

The WITNESS: It all depends. If you want to make comparisons you have got to know how much of that has to be sold on the manufacturing market. Now, probably I could simplify the matter by this: that to-day the value of the fluid market to the farmer in Vancouver is 46 cents a pound of butterfat instead of 28. 28 cents is the pool value, the average value. It is quite confusing there.

Mr. BERTRAND: Forty-six cents?

The WITNESS: Yes.

The CHAIRMAN: For the market value?

The WITNESS: Yes.

By Mr. Lucas:

Q. What does that 46 cents work out at per 100 pounds of milk?

Mr. BERTRAND: $1.46 with a 16 cent spread.

By Mr. Tummon:

Q. In some cases—in one company I recall—about half the product was used for fluid delivery, the other half was used in sweet cream, ice-cream, cheese and butter, and the average price paid the producer was the average of what they call the association price and the surplus price—around $1.—A. One dollar a can?

Q. No. $1 per 100 pounds?—A. Would that be f.o.b. city or farm?

Q. That would be—I just forget—I want to be sure of that; I think it was at the city?—A. Now, there is a freight reduction necessary in order to make the comparison with the 85 cents.

Q. I am not sure whether freight would have to be deducted in that case or not. I do not think it was deducted.

By Mr. Spotton:

Q. What did you figure that 46 cents per pound butterfat would mean per 100 pounds of milk, fluid milk, to the farmer?—A. $1.61 a hundred.

Q. Less freight?—A. Yes, less freight.

The CHAIRMAN: The Montreal prices were quoted f.o.b. Montreal.

By Mr. Loucks:

Q. Mr. Mercer, what do you get paid. What is the salary of your president and secretary of the association. I think we would like to know that?—A. It is not an embarrassing question at all. I think I have answered that about 500 times a year, principally by one or other of my bosses. My salary is $4,000 a year. I am also secretary. I do not get anything for that. I am also performing other functions. For instance, I was on the committee that was responsible for the administration of the Dairy Products Sales Adjustment Act. I got $180 per month out of that. I just endorsed the cheque and handed it over to our auditor as the Fraser Valley Milk Producers' property, because I was working by the month and any little earnings I made were naturally the product of the Fraser Valley Milk Producers. My people tell me that my salary is far too high, and I am rather inclined to agree with them.

Q. I am glad I asked you that question. Another question: you intimated that you have your own blacksmith shop. Can you give us approximately what it costs you to shoe a horse for your dairy. I am not asking you to be absolutely accurate?—A. Any statement I would make on that point would be from memory, after several years. We have no horses of our own now, since the beginning of 1931; but if my memory serves me correctly our costs for feed, grooming and the expenses in connection with horses, including shoeing and everything, was something in the vicinity of 50 cents a day. Now, I would not like to have to make a definite statement on that. That was the price several years ago when we were paying $18 and $20 a ton for hay and $35 to $40 a ton for oats. I fancy the price to-day is considerably lower than that. I might say it does not include depreciation on the horses.

Q. Did you say that included the depreciation on horses?—A. No, sir.

By Mr. Pickel:

Q. Mr. Mercer, just for the information of the committee, what was wrong with the legislation that was passed in British Columbia and was repealed?—A. The judge of the local court said it was beyond the power of the provincial government to enact because the levies that were necessary were taxed and that they were indirect taxes and therefore the prerogative of the federal government. We, of course, did not agree with that and we went to the Appeal Court and they supported the trial judge's opinion, and we proceeded further to the Privy Council and they also supported it. Naturally, we had to admit that there was probably something wrong with our own judgment.

By Mr. Bertrand:

Q. I suppose your co-operative has made quite a few thousand dollars of profit each year in its operations?—A. No, we have made profits but not to the account of the association—to the account of the members. We have no profits. We do not buy anything for re-sale; it is handled as a consignment. We market it, deducting cost, and give all the money back.

Q. Consequently, at the end of the year there is no profit for distribution?—A. There is a fund for distribution but it is not a profit. It is a deferred payment. We settle with our farmers once a month on account—it is an incomplete settlement—and at the end of the year we have left over probably a sum of money and it means that we make only a complete settlement once a year, although we pay him on occount at is were, twice a month. We call that a deferred payment. It sometimes amounts to a couple of hundred thousand dollars, and sometimes less than one hundred thousand. Last year it amounted to three-quarters of a cent a pound butter fat.

Q. It is paid over and above the amount you figured a moment ago?—A. No. That is included in there.

By the Chairman:

Q. What Mr. Bertrand had in mind is the fact that you have a certain capital investment. How do you provide for the interest or dividend on that investment?—A. It is an operating cost deducted and set up each month as an operating cost against the business. We have borrowed this money from the members just the same as we borrowed it from the banks and we pay them interest on it and we set it up as an operating cost each month.

By Mr. Tummon:

Q. That is all accounted for by the issuing of cheques?—A. Yes.

By Mr. Lucas:

Q. How long did you operate under the provincial legislation?—A. We operated for a little over a year—1930.

Q. And what percentage of the milk did you handle at that time; did you have all the producers?—A. The percentage of the milk used? We had about 80 per cent of the control then; but no dairyman was permitted under the administration of that Act to escape his responsibilities in respect to the portion that had to be manufactured. What I mean by that is: let us imagine that the fluid market was able to absorb 50 per cent of the total production. We were directed to go out and discover what the consumer was paying for milk. We had no authority whatever to fix prices. We were directed to go out and discover what he paid for milk. Then we were allowed a reasonable amount for distribution costs plus a reasonable profit. We found that the consumer was paying $1.34 a pound for his butterfat. We also found that 61 cents was sufficient for a pound of butterfat to take care of distribution costs plus a reasonable profit, leaving that market at a value of 73 cents per pound of butterfat. The other market—you see the market was classified as fluid and manufacturing—according to the terms of the Act the manufacturing value was the price of butter in Vancouver from day to day. Now, that governed the other operation. We found that they also had authority to get information from the various dairies in respect to the amount of milk handled in fluid and in manufacturing markets. When we found a man—we found, for instance, that the fluid milk was able to absorb 50 per cent of the total production. That means that the other 50 per cent had to be manufactured. Now we found that John Jones sold 100 per cent of his milk into a market that we discovered was worth 73 cents. It did not make any difference to John Jones whether he got 73 cents or not. Then we said, "Mr. John Jones, you have sold all of your milk in a market that there was only room for half of it." We said, "Mr. John Jones, that being so somebody else must have done your manufacturing for you and this is your bill for that service that he rendered to you." We collected from him and paid it to the fellow that did John Jones' manufacturing for him, and that is all that happened. Under that system he could not possibly escape his responsibility in respect of manufacturing obligations. It was just too bad if Mr. Jones did not get 73 cents for his pound of butterfat. A number of them overlooked that little item and it sold for 65 cents and they complained. We told them they had a perfect right to give their 5 or 6 cents a pound for butterfat; it was none of our business and they could continue to do so but it was very foolish we thought.

By Mr. Bertrand:

Q. Was the price of milk pooled in this operation or administration of that Act and everything paid on the same footing? That is all milk produced to be sold as fluid milk or sweet cream? Was the butter manufacturing or cheese manufacturing all paid to the producer on the same footing?—A. No. As I understand it did no marketing then. It had nothing to do with the market or the fixing of prices. We found out what they were, and, as I said before, we discovered whether a man discharged his full responsibilities or not. If he did not we charged him, and if he did and took care of somebody else as well we paid him. Now, then, if he could sell his manufactured portion in the market that showed him a better return than before, he profited by it, and by the same token, if he could get more—if he had a quality of milk, which some of them did, which the public was prepared to pay more than 73 cents for it, he also profited by it. This was not interfered with at all. We just had two classifications.

By Mr. Lucas:

Q. I understood you to say some time ago that you still control 80 per cent—A. Yes.

Q. But at the same time you are in with the Associated Dairies and while you control 53 per cent of the stock—A. We own 53 per cent.

Q. —you have not the control.—A. We have not the control of the association; that is there are nine directors and we appoint three of them. Just in that connection, at the present time we supply the general manager and the president of the organization, so that our policies are pretty well respected in that regard.

Q. You do not find yourself at a disanvantage?—A. No.

Q. Because of the fact that you own 53 per cent of the stock and have not control?—A. No; there is nothing contentious whatever between the two organizations, because of a certain contract that we have with respect to milk prices. We have a contract that is based on the retail price of milk. For instance, when they are charging 11 cents a quart for milk, according to the terms of the contract, they are obliged to pay us 73 cents a pound butter fat; and as the price goes down, the spread goes down, and there is nothing that we have any occasion to quarrel over, apart from minor items of administration. For instance, there is no controversy, there could be no controversy in regard to the price we charge them, because it is fixed under contract.

Q. But is there not what you call overhead from the consumer in the distributing and processing situation to-day? I mean, the dairies that come in the association as compared with your one organization a few years ago?—A. Oh, yes; and by the same token there is considerably more business done. You see, we were one unit. There were 14 dairies, and we were one of them. Now, we had for instance, 7,000 gallons of business, but when they all came in together, there were 13,000 or 14,000 gallons, and there were 14 dairies. We closed up 11 of them, nailed up the windows. The costs were considerably reduced. For instance, the job the president and general manager is doing to-day, was previously performed by 14 men.

By Mr. Loucks:

Q. Would you say that the producer has benefitted by the reduction in the overheads? Who got the benefit, the consumer? Would you say the producer benefitted by the eliminating and cutting down of costs?—A. You understand that the price, for instance,—we sold butter fat at a certain price, and they paid us that price. We were there. We represented the producers. Now, it was up to them to get their money and take care of the overhead, whatever it might be. It did not make any difference to us. But any savings they made only came to our producer members as a result of the fact that we would participate in 53 per cent of any profits that might be made; that is the point.

By Mr. Tummon:

Q. In producing or purchasing in your association you say you closed up 11 plants?—A. Yes.

Q. Did your association buy out these plants?—A. No; our association and the other 14 dairies just put their plant and equipment into the pool, into the pot, as it were, and values were appraised by the Canadian Appraisal Company, and they were allotted stock accordinng to the value of the equipment taken in. We turned in 389,000 of our stock, and we got no money out of it whatever. Other dairies did the same thing with their own; they got stock the same as we did.

Q. What position is the dairy in or what position is a fellow in whose plant is closed up? He must get some recompense, some compensation for his plant being closed up, and finding himself out of a job?—A. He has stock. He is given a certain amount of stock in the Associated Dairies.

Q. And does the owner of stock get any more dividends out of the Associated Dairies than does the plants that are operating?—A. No, he ceases to exist. For instance, the Steeves Dairy, or the Royal Dairy, ceased to exist altogether; but he is the owner of several thousand shares in the Associate Dairies.

Q. What dividends do the Associated Dairies get?—A. They do not pay any, not yet.

Q. Wherein does that dairy get any recompense?—A. Well, he probably gets it in the same place the fellow that bought oil shares or other things. They just do not exist; that is all. They have not made profits. I might say, though,—

By the Chairman:

Q. I suppose some of them are not very well satisfied, are they?—A. You understand that the Associated Dairies started in without any money at all, and it was necessary for them to make certain loans, accommodations in the bank, and so forth, and the banks even now insist on those loans being repaid, and they are getting it very nicely, and taking care of those obligations and naturally, as long as they owe that money to the public, they can hardly defend an action where they are paying profits to themselves, when they have obligations to the public.

By Mr. Lucas:

Q. I understand you to say that 11 of those companies took stock in the Associated Dairies?—A. Yes.

Q. So that the capitalization or overhead had not been reduced.—A. Only in respect to the fact they have avoided keeping them open with a crew, men and fuel and all that sort of stuff. In other words, all the overhead or all the obligations they had were interest and taxes and depreciation. While they were open and running they had to be manned with a crew of men; that is the difference.

Q. Is there any interest paid on the capitalization?—A. No interest.

By the Chairman:

Q. Was this undertaken during the time the Produce Act was in effect?—A. Yes.

Q. Was it compulsory for this organization to enter that association?—A. No, it was a voluntary arrangement.

Witness retired.

The CHAIRMAN: At the last meeting Mr. Jones, of the Ottawa Dairy, stated that the pasteurization of milk was not compulsory in Ottawa. The Clerk informs me, upon inquiry from the city officials, that the bacteriological tests imposed by the city are so strict that no milk can pass unless it is pasteurized. I thought it was of interest to the committee to know that.

Mr. PICKEL: Do you know what it is, Mr. Chairman?

The CHAIRMAN: I do not know what the test is which is imposed by the city; but it is so strict that no milk passes unless it is pasteurized. None of the milk is fit for human consumption until it is pasteurized.

We shall meet to-morrow at the same hour, gentlemen.

Committee adjourned at 5.40 p.m. to meet Wednesday, April 19, at 3.30 p.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 19, 1933

No. 18

Reference,—Milk and Milk Products

WITNESSES:

F. O. Sargent, President Winnipeg Milk Producers' Association.

Dr. H. C. Grant, Professor of Agricultural Economics, University of Manitoba.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Wednesday, April 19, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bowman, Bouchard, Bowen, Boyes, Brown, Fafard, Hackett, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Porteous, Senn, Spotton, Tummon, Weese, Weir (*Melfort*), Weir (*Macdonald*), Wilson.

F. O. Sargent, farmer, Petersfield, Man., President, Winnipeg Milk Producers' Association, was called and sworn.

The witness read a prepared statement and was questioned at length.

Witness filed certain statements to be incorporated in the printed evidence.

Witness retired.

Dr. H. C. Grant, professor of Agricultural Economics, University of Manitoba, appeared and addressed the meeting and was accorded a vote of thanks.

Mr. Bouchard moved that the subcommittee consider the advisability of calling witnesses on the subject of pasteurization of milk.

Motion negatived.

The meeting adjourned till Thursday, April 20, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

April 19, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn presiding.

Frederick Oaxley Sargent, called and sworn.

By the Chairman:

Q. Please give your name to the committee?—A. Frederick Oaxley Sargent.

Q. Where are you from?—A. Petersfield, Manitoba.

Q. What is your position?—A. I am president of the Winnipeg Milk Producers' Association.

Q. Have you a statement?—A. I have a statement.

Q. Very well. We will hear it.—A. Mr. Chairman and gentlemen, on behalf of the Winnipeg District Milk Producers' Co-operative Association Limited, I herewith present to your committee the following statement in respect to the present situation the milk business of Winnipeg is in. This statement is not going to repeat the story of the milk business during the past ten years, including the time of depression with the consequent milk war, but only deals with the present situation as it has developed since milk has been declared by the Manitoba Legislature to be a public utility, and to be regulated by the Municipal and Public Utilities Commission.

To inform your committee about the past and how it came about that the milk business of Winnipeg has been put under the control of the Municipal and Public Utilities Board is shown by the speech of the chairman of this Commission delivered to the Manitoba Dairy Convention in January, 1933, which I herewith deposit with your committee as exhibit 1.

Cost of production. According to recognized authorities (Pearson) it takes the following amounts of feed to produce 100 pounds of milk—I may say that this man Pearson is one of the best authorities we claim we have on the feeding of the dairy cow—

	Lbs.
Grain..	44
Hay..	50
Silage..	118
Roughage..	39

at prices prevailing in autumn, 1918, these amounts of feed cost:—

Grain..	$ 1 10
Hay..	50
Silage..	56
Roughage..	07
Total..	$ 2 23*

* For feed to produce 100 pounds of milk.

at present prices for feed the above mentioned amounts would approximately be as follows:—

Grain	50
Hay	25
Silage	40
Roughage	06
Total	$ 1 21

This amount of feed must be fed practically all the year round. In most parts of Manitoba there are not more than two to three months of good pasture available and even during that time the milk cow must have additional feed.

A milk cow requires a large amount of labour; the cow has to be fed and watered twice a day. The animals, the milk utensils, the hay, must be hauled to the farm, the milk must be delivered to the station or to the road. The costs of labour to produce 100 pounds of milk are considered to be not lower than approximately 60 cents under ordinary conditions and the amount at present 40 cents for 100 pounds of milk.

There are miscellaneous operating expenses for milk cooling and cleaning, for medicine, disinfectant, veterinary fees, testing dues, light and power, etc., which month by month, means considerable expense.

The hauling charges of approximately 25 cents per 100 pounds means another charge on the producers.

The severe climate of Manitoba requires comfortable, warm barns. If milk shall be produced under sanitary conditions, the barn also needs concrete floors, drainage, special ventilation, and an ample supply of light. The cost of a barn lodging thirty cows amounts to approximately $2,500. Interest, depreciation, insurance and repairs on such investments must therefore be added to the cost of production.

The herd charges are very high too. A good commercial cow under proper care producing approximately 6,000 to 8,000 pounds per annum did cost $150 until 1930 inclusive, so that with a herd of 30 cows there is an investment of $3,000 on which interest, depreciation and insurance have to be paid. At the present time prices for such cows are considerably reduced. A good cow can be bought at approximately $60 to $70. Having bought their herds at high prices, most of the milk producers require to write off a large amount of their herd investment.

A problem which has been considered very little by the dairy farmer of Manitoba in the past is the loss through disease, tuberculosis, hemorrhagic-septicaemia, and especially the contagious abortion disease, is the occasion of great losses in the dairy herds of this province. The farmer does not as yet realize the danger, but the provincial authorities are awake to the fact that the abortion disease (which is not controllable by serum) will, within a short time, amount to terrible capital losses.

The average cost of production during this winter in Manitoba was just on or around $1.50 to $1.60 per 100 pounds freight included.

By Mr. Pickel:

Q. Does that include everything?—A. Yes. That includes everything. Freight is included in that. That is what we claim.

By Mr. Tummon:

Q. How many months does that cover?—A. Five months. October to February.

Q. Can you give us the total?—A. No. I have not the total. These figures can only be applied to herds producing over 7,000 pounds per year, and farmers who have cows below this average are losing money under the present regulations of the Municipal and Public Utilities Board, and it is a fact that a certain percentage of our Winnipeg Producers will be put out of business.

Re milk as a Public Utility in Winnipeg. I herewith deposit with your committee the orders of the Municipal and Public Board and wish to remark that the prices are fixed all around, and that this was the only method for the Municipal and Public Utilities Board to settle the question. If prices were fixed to the producer, some new companies with very low investments, after the type of Chain stores, only selling to their own stores and taking no responsibility regarding the business as a whole, including the wagon business, could take the situation in hand, throughout and monopolize on figures they see fit. Milk being a public utility needs control all around, otherwise the regulation would break down under the pressure of the free marketing system.

The Municipal and Public Utilities Board in Winnipeg is not regulating its Orders with the Police Force, but with the view to being reasonable with all concerned, and to arrange matters as you might say on a general agreement basis.

The Board is evidently taking the average producer and average distributor as a basis to work on, as far as prices are concerned, so that the basis of its policy is economically and financially sound.

I herewith submit to your committee the actual figures as supplied by the Municipal and Public Utilities Board for the month of October, 1933, up to and including March, 1934, as exhibit three. (See appendix.)

By the Chairman:

Q. I imagine the committee may want to ask you some questions based on that, and I think you should read it?—A. Very well. "In October the total purchase...."—I want to go further and say that these figures—30 per cent of the milk that goes into the city of Winnipeg is not represented on these figures. The producer-distributor handles about 30 per cent of the milk that goes into Winnipeg that is under the Public Utilities Board, but they have not gone to the extent—because it would be a big expense—to make him keep statements, because some of them do not keep accurate figures like the larger companies.

By Mr. Tummon:

Q. Will you explain how he is under the Utility Board?—A. Well, they inspect all his sales. They have a supervisor and two inspectors that go to every store and inspect the milk and inspect the invoices to see that they are charging the regular price to the store, and they also go to the houses and find out how much they pay, and if they get a complaint they are sent out immediately to see whether the complaint is correct or not—if anybody tries to cut prices or anything of that kind; but the commissioner told me the night before I left that they had had no trouble at all with the small peddler—in fact they have had very little trouble of any kind.

By Mr. Bowman:

Q. He would have to have a licence from the Board?—A. No, sir; they are not licensed yet.

Q. What about inspection of their premises?—A. That is done by the city in the Winnipeg area.

Q. And as to the small independent producer or vendor, does he not have a licence from somebody?—A. He has a licence from the city of Winnipeg. They have a special charter that the province cannot interfere with—the city of Winnipeg work under a charter of their own.

Q. Where does the Municipal and Public Utility Board come in with respect to the small man?—A. Well, just regulating the price.

Q. Just what you told us—the matter of regulation of prices?—A. That is all; the regulation of prices.

By Mr. Pickel:

Q. The small man you spoke of is the man who does his own distributing—who has a dairy and does his own distributing?—A. Yes. There is no compulsory pasteurization in the city of Winnipeg. It is just from the milk that is shipped in from the outside shipper who has not T.B. tested herds. All the small shippers have to have T.B. tested herds, and they have to have their barns inspected by the city.

By Mr. Bowman:

Q. Under city by-laws?—A. Yes.

Q. What is the difference with regard to the power of the Municipal Public Utilities Board over the small producer and vendor and the man whose records you have before you? You are going to give us details of the other 70 per cent now for the month of October 1932 to February 1933. What different control does the Municipal and Public Utilities Board exercise over the men that are set up in your statement and the small vendor?—A. No difference.

By Mr. Tummon:

Q. Any more than they have no record?—A. Any more than they have no record. That is all. That is all the difference—no difference. "Total purchases. . ."

Q. This is for October 1932?—A. Yes. This goes back to October. "5,881,-667, full price basis." Now, that is what the dairies paid full price for—5,185,-129 pounds butterfat basis. This is the amount they paid at butterfat basis.

By Mr. Bowman:

Q. That would be the difference between 5,800,000 and 5,100,000?

By Mr. Pickel:

Q. That is what we call surplus here?—A. Well, that would be 1,047,784.

By Mr. Bowman:

Q. How do you get that again?—A. The fluid milk sales. You see the difference between the amount purchased and the full price milk—the difference between the total amount purchased and the fluid sales. Their fluid sales were only 4,833,883 pounds.

Mr. TUMMON: You gave us 5,185,189.

The CHAIRMAN: That is the total purchase.

WITNESS: 5,881,667. That is the full amount purchased.

By Mr. Bowman:

Q. What was the 5,000,000 odd thousand you gave us? What are those figures?—A. That is the manufactured milk.

By Mr. Tummon:

Q. Your total purchases for October were 5,881,667?—A. Yes.

Q. Now, what was the next you gave us?—A. Full price basis.

Q. That was what they paid the producer?—A. Full price.

Q. How much was that?—A. 5,185,189.

Q. Now, what was the next. You are starting on what they paid on butterfat?—A. On the butterfat basis it amounted to about 696,538 pounds.

By Mr. Bowman:

Q. That is the difference between the two sums you have just given us?—A. Yes. Now, the gross value of the purchase was $89,987.28. Fluid milk sales were 4,833,883, and the manufactured milk was 1,047,484. Overpaid—now, that is what they overpaid more than they really sold full price for. They overpaid us 6.6. You see they have got to have a surplus all the time. It fluctuates from day to day. So that they overpaid us 6.6 and the over-all price for all the milk in October was $1·530.

By Mr. Bowman:

Q. That is what you got for everything delivered?—A. That is for everything delivered. Now, November was 5,338,470 pounds; full price basis, 4,947,-322; butterfat basis, 390,147; gross value of purchases $82,719.17; fluid sales 4,720,255; manufactured milk 618,215; overpaid 4·8; over all prices $1·549.

This month gives you something that is interesting again, sales against last month ·9 of an increase; purchased as against last month 6·6.

December, total purchases 5,663,904 pounds; full price basis 5,109,616; butterfat basis 554,288; gross value of purchases $85,630.85; fluid sales 4,845,-715; manufactured milk 818,189; overpaid .54.

By the Chairman:

Q. In that decimal that you are giving I presume it indicates a percentage of the whole?—A. Yes, that they overpaid us; they paid us for that much more than they sold.

By Mr. Bowman:

Q. December .54, did you say?—A. Decimal 54.

Q. Before, you gave us, for the first month you gave, 6.6 and for the next, 4.8.—A. 4.8.

Q. Now, it has come down to .54—A. 54 overpaid.

Q. Is it .54 or 5.4?—A. Decimal—5.4.

By the Chairman:

Q. That is half of one per cent?—A. Yes

Q. And the other at 6 per cent?—A. Yes.

Overall price $1.511; sales against last month is minus .7; purchases against last month are up 2.6.

January, is 5,790,076; full price basis 5,151,620; butterfat basis 639,456; gross value $86,835.98; fluid sales 4,865,148; manufactured 924,928; overpaid 5.86; overall price $1.50; sales against last month up .4; purchases against last month 2.23.

By the Chairman:

Q. That is an increase?—A. An increase.

February,—you have to take into consideration in distribution that February is only a 28 day month—5,390,614; full price basis 4,721,020; butterfat basis 669,594; gross value $79,503.09; fluid sales 4,526,401; manufactured 864,213;

overpaid 4.30; overall price $1.4475; sales against last month .43—3 per cent up; purchases against last month 3.08. One thing that is noticeable in this is that since we have gone under the Public Utilities Board and raised the price to the consumer from 8 cents,—

By Mr. Tummon:

Q. By how much?—A. From 8 cents, it was selling at 8 cents when they took hold of it—and our sales have gone up 3 per cent. This is the statement I got just before I left.

By Mr. Bowman:

Q. How do you account for that?—A. Well, I don't know, I think that is a question maybe for the distributors to account for. All I know is that the Utilities Board states that, I cannot account for it.

By Mr. Tummon:

Q. But you can't really tell by your sales, because your 30 per cent of small dealers may have gone down that much or more, you have no record.—A. Yes, you are quite correct, there might have been a difference there; they might have taken some from these small pedlars. But I will say this, that the president of the Pedlars association, with whom I am very closely in touch, told me that their sales were if anything, better. They have reaped more benefit from it than we have, because they get it two ways, there is no doubt about it—they get it both in the producing end, and in the selling end.

By Mr. Bowman:

Q. Have your organization and the Pedlars Association as you call it, gotten along very well?—A. Well, this was given to me by the Commissioner, just as I left on the train, a note he handed to me; "The consumption of fluid milk has increased 3.05 per cent since the first of October." He just handed it to me that Sunday night when I was getting on the train.

By Mr. Pickel:

Q. Is that the date milk went under the Public Utilities Commission?—A. Yes.

By Mr. Bowman:

Q. That first of October you referred to is what year, 1932?—A. Yes, that is the first month we worked under the Board.

By Mr. Pickel:

Q. What was the price of fluid milk in Winnipeg before that?—A. We were getting 93 cents for fluid milk, and it cost us on an average of about 25 cents a hundred to get it in.

Q. Was that 3.5 milk?—A. 3.5 milk—we work on a 3.5 basis.

By the Chairman:

Q. Have you completed your statement, Mr. Sargent?—A. No.

Q. I think we had better allow him to do that.—A. The actual spread between the Producers and Consumers price in Winnipeg for the past ten years, in shown as per attached table, which I deposit with you as exhibit four.

At present the following table is in practice with the assumption that the producer is getting approximately four cents per quart for fluid milk.

By Mr. Bowman:

Q. That is net?—A. No, we have freight charges to take off that.

Q. How much, on the average?—A. About 25 cents a hundred.

Q. That is 3.75 net per quart?—A. No, no.

Q. Well give it to us any way you have it so we will know what it is?—A. I have got it here, the retail prices.

Q. What would it be net?—A. We got about 4 cents. Then you have got to take, by the hundred—about $1.60—and take 25 cents off that, you see. I know that the distributors claim that it won't make hardly 40 quarts but our association always figure we can get about 40 quarts out of it. They claim, they have it down to fractions pretty well—

By Mr. Pickel:

Q. There is lots of water handled, I suppose?—A. Well—

At the present the following table is in practice with the assumption that the producer is getting approximately 4 cents a quart.

		Operating spread
	cts.	cents
Retail milk..	10	6
Relief milk off wagon..	8	4
Milk sold to stores..	7½	3½
Bulk milk..	6¼	2¼

The actual operating spread of the different distributing companies is different on account of the fact that there are different quantities sold, as, retail, wagon relief milk, store milk and bulk milk.

For three different companies the spread to-day is as follows:—4.7, 4.8 and 4.4.

Some of the creameries claim that this spread is not sufficient for them to operate on. As a matter of fact, it is quite apparent that two of the distributing companies are not receiving a sufficient spread to pay their operating expenses, as well as their bond interest, while three other companies which retail, and one chain store which pasteurizes milk for its own stores seem to manage on the present spreads.

One of the pasteurizing companies is not paying the price of $1.54 as ordered by the municipal and public utilities board, but is paying $1.74 for all milk, sold as retail milk, and this company has done so all winter.

Questions not yet satisfactorily settled for the Producers: The distributing plants require from 9 to 12 per cent of their supply of milk for standardizing purposes, namely for cutting cream, making buttermilk and ice cream. Under the present orders of the municipal and public utilities board for this milk they only have to pay butterfat prices, which is approximately 70 cents at the rate of 3·5 per cent of butterfat. It is quite evident that at 70 cents there are only 3·5 per cent of butterfat available on the open market, while the farmer actually ships 100 lbs, of whole milk at 3·5 butterfat, therefore the farmer is giving the creameries the freight on 100 pounds of milk, which averages ·25¾ per 100 pounds and the skim milk which is approximately 10 cents per 100 pounds without geting any consideration for it. Besides that the distributors are making a good profit on the sales of buttermilk, cream and ice-cream. As a matter of fact it is quite evident that cream and ice-cream are better paying propositions for the distributing companies than whole milk.

There is also no control of weights and a very inadequate control of butterfat tests. A proper method in this respect should be established by replacing the present scales of the distributing companies with automatic recording units, and by a governement test system whereby the testing of butterfat might be actually done by the government officials.

The handling of surplus milk is as yet not settled. It would be of great advantage to establish a milk shed by licensing all producers and thus prohibiting any new shippers coming into the field of whole milk marketing until cause is shown.

The better plan would be if the producers' associations would establish themselves into a selling association whereby they would only sell the fluid milk requirements to the distributing companies and use the actual surplus milk for manufacturing purposes, the products to be marketed by the producers' association.

The question of new pasteurizing plants to come into the whole milk market should also be considered very seriously. At present there are sufficient creameries in Winnipeg to handle the milk and we take the attitude that each new creamery is detrimental to both producers and consumers, as it increases the operating spread of the distributing companies. There are sufficient distributing companies in Winnipeg and therefore no new company should be allowed to enter into the field until cause is shown by an increased market.

It should be recognized that milk ordinarily produced for cream, namely all seasonable milk, should not enter into competition with the whole milk supply. The whole milk producer has to guarantee the whole milk markets with a sufficient supply all the year around, which means considerably higher expenses to the whole milk producer in comparison with the cream shipper.

Therefore, a differential should be recognized between the price for cream and whole milk, which should not only cover the diffrence in expenses shown as freight, value of skim milk, but recognition should be given to the fact that the whole milk producer must have an equal supply of milk all the year around, and take better care regarding his herd, cleanliness, hygiene, etc.

In the United States of America this differential has been recognized by the last convention of the milk dealers in Detroit last fall, where this differential was established at the lowest level of 45 cents per hundred, and with the highest level at 90 cents per hundred.

The question of capitalization of the distributing companies should not be considered by regulating the prices to be paid, as there is a great difference between the old established companies working on inflated investments, while the new companies are working under present adjusted conditions. This does not mean that the old companies should be put out of business but that they have to adjust their capitalization and investments in accordance with the present prices, an adjustment which has taken place with the farmer and in many other lines of industries in Canada, and which adjustment in a general way has to come about all over.

By the Chairman:

Q. Do you have contracts, Mr. Sargent, with the distributors, that is to keep up an even flow of milk winter and summer?—A. Yes. We call it a quota we have to supply every month. What I mean, each man is given a certain amount of milk, and he has to supply that; he is supposed to supply that every month. If he goes down, he is cut right straight away.

Q. The year around?—A. Yes, the year around.

Q. You say that approximately 30 per cent of the milk is being distributed by smaller companies of which you have no record. Have the number of smaller distributors increased since milk was declared a public utility?—A. No, they have not. They are going down all the time. I might say there used to be 120, and now there is only about 100.

Q. How do you account for that?—A. Well, in some cases they are shipping their milk now to the creameries. The creameries are taking over their routes. I don't know. There was some of them, I might say, I am positive that got in very bad financial shape while our low prices were on.

Q. Would you suggest that under present conditions it might have the effect of centralizing the distributing business into the hands of a few of the larger companies?—A. No.

Q. If the smaller ones are being squeezed out under present arrangements?—A. No, they are not. I made the statement that the smaller man had received more benefit from this than we had, as distributors, because they got it two ways. They got it both in the sale end and in the production end. They were selling for eight cents; now they are selling for ten. We were having to produce milk for 83 cents with the freight; of course they had to come down and meet that competition. Milk got down to as low as five cents in Winnipeg, in these stores.

Q. You have prohibited absolutely the sale of milk in chain stores?—A. No, chain stores all handle it. I think if I am not mistaken—I won't be sure—but I think there are 212 stores in Winnipeg handling milk. Professor Grant may be able to tell you that.

Q. What spread are they allowed?—A. I gave you the figures. It is in that.

Q. Did you?—A. Yes, it is in that other statement, and that statement has gone away.

By Mr. Pickel:

Q. Who supplies those stores?—A. There is one of our chain stores has a pasteurizing plant of their own.

Q. Do they buy from the producer?—A. They buy from the producer. They are the people that paid $1.74 all winter.

Q. These prices you have given us, are they prices that have been established by the commission to the producer?—A. Yes, $1.54.

By Mr. Bowman:

Q. Just following up the question just asked, you say that the commission have established a price of $1.54; that is less 25 cents for haulage?——A. No, we have to pay the haulage out of that $1.54.

By Mr. Pickel:

Q. That is net to the producer, $1.54?—A. No.

By Mr. Bowman:

Q. $1.54, less 25 cents a hundred?—A. Yes, sure, most decidedly.

Q. This price which is set by the board, for how long does it continue? How often do they change it?—A. Well, that can't be changed, unless somebody applies to the board for a hearing. The distributors have a right to a hearing, to call a hearing, or the producer, or the purchaser, the public, if they feel that they are paying too much for milk; they have a right to call for a hearing just the same as we have, if we figure we are getting too little for our milk.

Q. The price set at the present time is $1.54, as you have just stated?—A. Yes.

Q. When was that price set?—A. Last October.

Q. Last October?—A. Yes, I think it was—the 6th of September, was it not? Here is the statement.

The CHAIRMAN: The 29th of November.

The WITNESS: Yes. I beg your pardon. Here is the order right here that I filed, the 29th of November, A.D. 1932, No. 683.

By Mr. Bowman:

Q. So that continues until somebody asks for a rehearing, and then the matter is determined as a result of the rehearing before the board?—A. Quite right.

By Mr. Pickel:

Q. What was the price you were paying to the producer just prior to this order by the commission for \$1.54?—A. What was the producer getting?

Q. Yes, what was the producer getting?—A. 93 cents for 3·5 milk.

Q. Less 25 cents?——A. Less 25 cents a hundred for freight, yes.

By Mr. Tummon:

Q. By whom is this board appointed?—A. The Public Utility Board?

Q. Yes?—A. By the provincial government.

Q. How is the representation made up on the board?—A. Well, there are three men on it; one represents the consumer; one the farmer; the chairman is a barrister in the city of Winnipeg.

Q. Representing the goverment generally?—A. Yes.

Q. The legal department?—A. They are supposed to be—they are independent of the government.

By Mr. Pickel:

Q. As things are to-day, you say it costs \$1.50 to produce 100 pounds of milk?—A. We figure it did this winter.

Q. \$1.50?—A. Yes, about that.

Q. And the farmer is getting \$1.54?—A. Between that and \$1.60.

Q. The farmer is getting \$1.54.—A. It is hard to give a figure, because one herd may produce 4,000 pounds.

Q. That is all right.—A. They have got to produce over 7,000 pounds, we figure. The best producers do that. There are more producing in the low.

Mr. Bowman: The witness has just said \$1.54, less 25 cents.

Mr. Pickel: Yes. That is, the farmer is really receiving less than it costs him to produce.

The Witness: Yes.

Mr. Pickel: At present conditions.

The Witness: A lot of them are

The Chairman: Are the committee satisfied? I understand we have Professor Grant with us this afternoon, and perhaps you would like to hear him as soon as you are through questioning the present witness. Any further questions, gentlemen?

By Mr. Bowman:

Q. The appointment of this board has made a substantial improvement in your case?—A. There is no doubt about it.

By Mr. Pickel:

Q. The outstanding fact is that the farmer in Manitoba, surrounding Winnipeg, is still producing at a loss; that is, he is supplying milk at a loss?—A. Yes. I said in the statement I figured out some would still go out of business that had low producing herds, were just able to get by with high producing herds. That is about all any business is doing to-day.

By the Chairman:

Q. What would you say was a profitable producing herd?—A. Well, according to my figures, there would have to be over 7,000 pounds.

Q. Of course, you would not attempt to bolster up inefficient methods of farming even then, would you?—A. No.

Q. That is if the average farmer has a poor herd of cattle, you could not expect to—A. Set prices accordingly?

Q. —set prices accordingly?—A. No, most decidedly not.

Q. I suppose if a man had a herd that averaged 9,000 pounds per cow, he would be making a fair rate of profit?—A. Well, that would be his good management; I would figure it should be.

Mr. Weir (Macdonald): A point that may be confusing,—I think the committee should understand that the public utility commission in Manitoba is not appointed to deal with milk only. It is a public utility commission that may deal with anything.

The Witness: Yes.

Mr. Weir: Merely that milk came up as one problem to deal with, and they dealt with it.

The Witness: That is right.

The Chairman: Any further questions?

The Chairman: I am sure the committee will be pleased to hear Professor Grant of the University of Manitoba.

Dr. H. C. Grant, Professor of Agricultural Economics, University of Manitoba, called.

Q. The Chairman: I understand, gentlemen, that Professor Grant does not wish to make any statement, but is willing to reply to any questions that are in the minds of the committee.

Mr. Tummon: Mr. Chairman, it was intimated to me that Professor Grant had considerable to do with the appointing of the bringing into being of the Municipal Utility Board under the conditions particularly, I presume, in regard to milk. I think it would be interesting if the committee heard from Professor Grant data in regard to some of those things.

The Witness: Well gentlemen, I would much prefer to be pumped, or primed, if you will, because I did not come here particularly to make a statement or even to appear before this board. I came here in connection with giving a paper before the Dairy Producers' Convention. The last speaker mentioned the fact that I had considerable to do with the experiment in public utility control in Manitoba. I think we quite frankly admit that it is an experiment. Those of you who are familiar with public utility theory and public utility regulations, will probably have some difficulty in trying to place milk in a public utility category. I must admit I have some difficulty myself. I can conceive of it as a public utility on probably two basis; one the general principle in connection with public utility that any matter or grave public import may be considered so. That is a general pragmatic interpretation that has developed in connection with public utility control in late years. Then, if we can conceive of milk, as I believe at the present time we can, as of considerable public importance, not only from the producers' standpoint, but also from the consumers' standpoint, then I think you can advance good grounds for using what public facilities you have to control it in an emergency. I may say, however, in connection with my report on the milk situation in Winnipeg, that while I did suggest public utility control as a measure of relief, it was not my first suggestion. It was the second alternative which I placed before the industry in Winnipeg. My first suggestion was that inasmuch as milk is a distinct commodity within the category of dairy products, the fluid milk, milk for fluid consumption is a distinct commodity, it is different from just milk. Probably you have had that well placed before you in those hearings.

By Mr. Bouchard:

Q. Do you include cream in that?—A. Yes; that is fluid cream, cream for domestic consumption; that is, if we should conceive of it as that, as we should. It is a distinct commodity which on the basis of health and public convenience, demands, if you will, certain added costs in its production. There is no doubt about that. To produce high class sanitary milk, which we demand to-day, then it is more than just milk as such. And until civic authorities, by means of proper civic ordinances consider it as such, the difficulties which we have in the milk business to-day, will constantly face us; because at any time, a man who is an indiscriminate milk shipper, a man who is just an ordinary cream shipper can, under those circumstances, such as we are going through at the present time, and cutthroat competition in the distributing business - distributors can pick him out of that cream shipping class, and bring him into the fluid milk market. It is my contention he should never be there. The term we use in that connection is market exclusion. That is, that in any particular city there is a market for fluid milk as such, and there should be civic ordinances surrounding the production of milk, which will guarantee its quality and quantity over a long period of years, and anything prejudicial to that should not be permitted to enter into the milk situation. I therefore recommended as my first suggestion in the Winnipeg situation that the civic milk ordinances should be tightened up; that we should have a real ordinance which would protect a man who had been living up to this quality and regulations, etc.

It is not always easy to get any governmental body to move, and the civic authorities did not act; neither did the producers act. Now, some blamed the producers' organization. I do not believe the producers' organizations themselves in the past have considered the importance of one of the major jobs of their association, which is, to see that they themselves had quality requirements in their own organizations that would keep out the man who could just come into the milk business. Can that be done? Yes, it can be done. It is the primary function of any milk dealers' association to raise the standard and quality of their milk.

Of course, when you come to an emergency, and you have got an unregulated supply of milk outside the producers' association, you can hardly expect the producers' association to get up and further diminish their ranks by weeding out the low class producer, because he can immediately ship over to somebody else who is in the milk business. But I do think, gentlemen, that a great deal of our trouble is because our civic milk ordinances are neither sufficient nor sufficiently enforced.

By the Chairman:

Q. You mean regulating the producers?—A. Yes; that is, setting up standards in connection with production of milk.

By Mr. Bouchard:

Q. Would you rather a prevention policy?—A. Well now, that is a matter on which I am not capable of deciding. I think it is a matter of local import. Personally, I am in favour of having it done by whoever would do it. The point is, sometimes civic authorities won't act. If you can get your provincial authorities to act, why all right. But then you come into a local situation where you have your civic and provincial authorities at loggerheads. That is just one of the things we suffer from.

By Mr. Bowman:

Q. The question of jurisdiction may arise, also.—A. Yes; but most of those things, if everybody is co-operative, can be worked out by compromise.

By Mr. Bouchard:

Q. If there was a lack of milk, for instance, in Montreal, the Quebec producer would not be allowed to enter the Montreal market?—A. I did not get your first point.

Q. If there was a lack of milk supply, for instance, in Montreal, the Quebec producer would not be allowed to supply the Montreal market because their regulations do not comply exactly with the civic regulations in Montreal. A disturbing point is this: we are going to educate the farmers along the line of preparing their stables, and all the regulations about ventilation and so on. We are disturbing their minds with so many different conflicting regulations.—A. Of course, I do not think that should be.

Q. But it is very disheartening.—A. There should not be any conflicting regulations.

Q. The provincial regulations would settle this by a competent body from all over the province, working in accord with the college professors, members of Board of Health, Doctors, and so on, and I think it would be much more satisfactory.—A. Well, as I say, I am not expressing an opinion one way or the other. I think it is a case of working it out.

By Mr. Pickel:

Q. The previous witness told us that the price of milk in Winnipeg previous to the Public Utilities Commission was 93 cents a hundred.

Mr. Bowman: Less 25.

By Mr. Pickel:

Q. Less 25. Now, the Public Utilities Commission makes this $1.54. That is not helping the producer any, comparing it with what it does for the distributor. The distributor is making 80 cents a hundred more on that milk and the producer is getting 57 cents a hundred more. It seems to me under those regulations that the distributor is the man who is being favoured.—A. Well, you had better ask a distributor that question; there must be something wrong in your calculations. I cannot just do it offhand, but I think, gentlemen, the consensus of opinion is, and it is my opinion, that the producer was well looked after in our regulations, relatively speaking. I would not say that because I have not got the figures. Mr. Aird can give them to you offhand; but I would not say that is the way it worked out.

Q. Those were the figures. They are allowed to charge two cents more a quart, and they get 40 quarts a hundred pouns.—A. 38·8.

Q. He calculated 40, and he gets 80 cents more on a hundred pounds.—A. Then, you have got to take into consideration the milk that is still sold as store milk; 27 per cent of it goes into relief milk. It is not all 10 cent milk. Now, I would not say offhand that our regulations—I do not think Mr. Sargent would agree at all that our regulations favour the distributor.

Mr. Tummon: There would be a lot of things that enter into the making of that comparison.—A. Oh, yes. Just offhand, I know talking this over with the men before I left, and looking over their figures, the distributors are the ones that are complaining about our prices in Winnipeg.

By the Chairman:

Q. I should like to ask you something there in that connection. I understand that you had something to do with the organizing or the setting up of this board. Did you regulate the number of the board?—A. No.

Q. Can you tell the committee the basis upon which the price to the producer was calculated when it was set by the board?—A. There was no scientific basis of calculating the price of milk, and I do not know of any. Various com-

missions have attempted to arrive at the price of milk and the cost of production figures; but you just get into a maze of figures that do not get you anywhere; because you are going to ask how long those costs are going to last.

Mr. BOUCHARD: The same thing happened in Quebec.

WITNESS: Absolutely.

By the Chairman:

Q. You do not mean to say they just made a stab in the dark at it?—A. Let me tell you. You must remember the Public Utility Board came in there when there was a fight on. The producers were asking for one thing, the distributors were asking for another thing, and the chain stores were asking for nothing except to leave them alone. They appeared before the board, and the board tried to get evidence on cost of production. I told them they could not get it, but they still continued to try, and eventually they came to the same conclusion. I suggested to the board, one general criteria in this milk study, which I made here. I showed the relationship between the price of milk and the general commodity wholesale index number, and the retail price over a period of years. I made the suggestion that on the basis of the previous relationships that you had a mark to shoot at; that is, if the index number at the present time was around about 72 per cent, then there was something that the price of milk might be in relation to at the present time. It worked out at about 10 cents a quart and I suggested to the Public Utilities Commission, when I was appearing before them in evidence that that was, in my judgment, a fair price for milk distributed off the wagon, ten cents a quart. Well, of course, that was something to start on. From there, down to what the producer got, it was a question of the producers asking for one thing, and the distributors asking for another.

By Mr. Pickel:

Q. And as I say, the distributor got the long end of it.—A. Now, between those two levels, there is some place where you can attempt to reach a compromise decisions. I mean, with our previous plan, with no arbitrary board, you would never get anywhere. But finally, the Utilities Commission, on the basis of 10 cent milk delivered to the door, 8 cent milk to chain stores, said that, we will say, the price is $1.55. We are not saying that is the cost of production; we are saying that is an emergency measure, which, at least, raises the price to the producer, and then, by trial and error, we will see how it works out. We are quite frank to admit that it was merely an empirical decision.

By the Chairman:

Q. You did not have, I suppose, due consideration for the welfare of the distributing companies?—A. No, I would say no, and I think Mr. Aird will agree with me.

Q. That is the point, and I think it is a very vital one, because if you are going to put the distributing companies out of business by arbitrary setting, it would not be a good thing.—A. No, I agree with you there; but you are faced with this; you are faced with bringing some sort of sanity out of actual chaos.

By Mr. Bowman:

Q. It is really a measure of compromise.—A. Yes, absolutely.

By Mr. Tummon:

Q. And, on the whole, it is as you said, an experiment.—A. It is an experiment, absolutely. There is no doubt about it as far as Winnipeg is concerned. There is no doubt about it that it is probable that some distributors

are finding it difficult to operate under our prices; other distributors are finding it all right. In fact we have some distributors who say that they are making too much money under the present spread.

Mr. SPOTTON: Have you a photograph of that fellow?

The WITNESS: He is a communist. It is a co-operative distributing organization.

By Mr. Boyes:

Q. With regard to that gentleman who makes that assertion, is he connected with a less expensive plant?—A. There are two things that probably are not understood in that connection. In the first place, he has a less expensive plant; In the second place, he really does not have to take care of much surplus because while he possibly does not know this he really has an arbitrary plan of saying who will ship milk to him. That is, he has set up his own milk shippers and if he has too much milk he just cuts off the bottom end. Now, as I tell him quite frankly, if the other distributors did that there would be a row.

By Mr. Tummon:

Q. He is in a sense in a protected position?—A. He is and even though he is a co-operative, he is in a protected position. That is he can do what, where they have an organized producers' association, they will not let the distributors do.

By the Chairman:

Q. He is not a member of the Producers' Association?—A. No. His shippers may be—one or two; but I do not think any of them are members of Mr. Sargent's organization.

Q. I am afraid that is not very good business tactics on the part of the Commission to allow things like that to go on?—A. We do not believe, Mr. Chairman, that we have reached the acme of perfection in handling the milk situation. Mr. Cottingham, the chairman, is as open-minded as anyone and is as critical of his own set-up as anyone. There are lots of things we do not do. There are lots of things in our situation in Winnipeg which might be better. We cannot do these things just overnight. We believe that we have done something that is unique and have made some fair degree of success. We are not convinced that it is a permanent solution; we are not convinced it is the perfect solution; we are presenting it to you for what it is worth as a measure.

By Mr. Pickel:

Q. You are on the right track if you only go far enough?—A. Well, how far we will go we do not know. It is a matter of trial and error.

By Mr. Tummon:

Q. You feel that so far it has been a benefit.—A. Yes. I say that without any doubt at all in my mind, simply because I know that I have been called in in the American States. Both Pennsylvania and New York are attempting the same thing in the same way—that is as an emergency measure.

Q. Would you confirm that by saying in what way you feel it has been a success?—A. Yes. I think it brought at least temporary stability in the milk industry in Winnipeg; second, it eliminated the leader selling of milk in chain stores which, I think, is a tremendous success; third, it raised the price to the producer. It may be that it should have been raised more. There may be criticisms; but undoubtedly it raised the price. And fourth, it actually solved an impossible situation at that time. That is, there was no possible chance of getting the producer, the regular distributor and the chain store together. Now, the chain store proposition as I see it, once this leader business is handled, is not such a tremendous proposition.

By Mr. Brown:

Q. You mean by the leader business that they have been selling at a low price?—A. Yes, with a loaf of bread.

By Mr. Tummon:

Q. They were using the milk as a leader in order to get people into their stores?—A. Yes.

Q. And when they were there they bought other things?—A. Yes. We have one group of chain stores in Winnipeg that we supposed to be the nigger in the woodpile. Once you prohibit them selling milk at a chain store and we found out something about that—we found out that they only handled 3 per cent of the milk business. There is one other thing that is important, very important. Whenever we sit down with distributors to bargain for prices for the producers' association we are almost completely in the dark. Producers can say there is an over-supply of milk, distributors can say there is an under-supply of milk, producers can say, "why our pastures are failing and supply decreases" and the distributors can say, "the peddler is taking away our business." Nobody knows. One of the best things about our Public Utilities control is that we know; Public Utilities Commission has the information. Now, you do not know. It is not open to you and it is not open to me; but when either party talks about the volume of milk in Winnipeg and how much is in the chain store and how much is with the peddler and how much is wholesale, how much is surplus—which is an important thing—the committee knows. There is no doubt about it.

By Mr. Tummon:

Q. They will have a better grasp of the whole situation if they have the records?—A. Absolutely. In my business I have often stressed that. I said that the most important thing we need in this milk situation in Winnipeg is facts about the milk situation, and if we did not do anything else—if we have a committee that arbitrates prices with all the information, it is their's alone; nobody else gets it, and you are somewhere where you were not before.

By Mr. Bowman:

Q. They would have a better idea if they had inspection in the plants to check up on the surplus?—A. Oh, we have inspection in Winnipeg. Well, we demand a monthly report and we can inspect it any time we want.

By Mr. Tummon:

Q. Does the city of Winnipeg make pasteurization of milk compulsory?—A. No.

Q. Are the 30 per cent selling pasteurized milk or not?—A. I do not know what you mean by the 30 per cent.

Q. Mr. Sargent told us that 30 per cent—

The CHAIRMAN: Thirty per cent of the milk distributors.

Mr. TUMMON: Thirty per cent of the milk distributors did not belong to the association. He called them outlaws.

Mr. BOWMAN: He called them the peddlars' association.

The WITNESS: They are peddlars, yes.

By Mr. Bowman:

Q. Do they deliver an unpasteurized milk?—A. Yes. There has to be a T.B. test of the milk. The herds are T.B. tested, but it does not mean a great deal.

Q. Are the large distributing plants distributing pasteurized products?—A. Oh, yes. It is not compulsory, but they do it.

By the Chairman:

Q. And the Board does not exercise any jurisdiction over that to eliminate one or the other?—A. Over which?

Q. Over allowing the men to compete with the higher class milk?—A. No; for the reason that that again is a case where we have a civic ordinance and a case of interference between the Public Utilities Commission—now, the Public Utilities Commission are not anxious to go any further than public opinion will permit them. In the first place, I tell you quite frankly the Public Utilities Commission did not want to be bothered with the milk business.

By Mr. Boyes:

Q. Does the producer-distributor who does not pasteurize his milk get the same price as the other?—A. No. He sells usually at a lower price than the pasteurized price.

By Mr. Pickel:

Q. Is he permitted to sell it at a lower price?—A. Yes. We have not touched the peddlar.

By Mr. Boyes:

Q. Is there no regulation as to the price that it is being sold at to the consumer?—A. No. By the peddlar?

Q. Can he sell at any price?—A. He can sell at any price.

By Mr. Tummon:

Q. Is it a better milk or a worse milk?—A. In my opinion it is worse.

By Mr. Boyes:

Q. Does he sell by the bottle?—A. I do not think he can sell loose milk. I am not sure.

By Mr. Bowman:

Q. What is this order by the Commission? What does it cover when the price is set at $1.54 a hundred?—A. It covers the price paid by the distributor to the producer of milk to the pasteurization plant.

By Mr. Pickel:

Q. I understood Mr. Sargent to say that that 10 cent rate was universal in Winnipeg?—A. It does not apply to the peddlar distributor.

Mr. Sargent: Could I correct my friend. He is absolutely wrong. The orders I have handed him will show that the small distributor has to comply with those orders. I gave you a copy of the orders.

By Mr. Bowman:

Q. If the order was not uniform in some respects surely it would encourage the small producer to sell his whole milk unpasteurized. That is the point I was making there?—A. Well, I do not intend to stand corrected until Mr. Cottingham corrects me, because I asked him if he had made any attempt to regulate the peddlar and he said no.

Q. Now, right there, I was not quite clear when Mr. Sargent was giving his evidence with respect to this Public Utilities Commission. He said that besides the chairman there were two others. Are these two added to the Board just specially in this connection?—A. No, they are just the Public Utilities Commission.

Q. And the matter had been just referred to them really more as a matter of consent, in the first place, was it not?—A. Oh, yes, they were not anxious to assume that at all.

Q. In order to get out of the difficulty?—A. Absolutely. I mean we placed it under the Public Utilities Commission just as an expedient. I mean, I am open to conviction that it might be—the same thing might be done under any other kind of a board. That is the experience in the States. We did it under the Public Utilities Commission because it was handy and was available and we had confidence and faith in the Public Utilities Commission.

By the Chairman:

Q. Is Winnipeg the only city where a Public Utilities Commission control?—A. It is, yes, but they may have control in other areas.

By Mr. Mullins:

Q. Where does Mr. Parish sell his milk to-day?—A. I don't think Mr. Parish is producing milk now, is he?

Q. What is that?—A. Does he still own the Dundeen Dairy?

Q. He has his own certified dairy at the north end of Winnipeg?—A. I think he sells it to one of the distributors, I am not sure, but I think he does that.

Q. He does not distribute direct?—A. No, he does not produce certified milk any more. He used to produce certified milk, I don't think he does any more.

The Chairman: Any further questions, gentlemen.

By Mr. Loucks:

Q. In understand your statement was this T.B. inspection was not made now; what inspections do you give, do the by-laws of the city of Winnipeg make provision for checking up on this?—A. I mean that this way, they have T.B. inspection but T.B. inspection does not guarantee the quality of the milk. You could have mastitis, or the people who handle the milk may have typhoid fever or diphtheria.

Hon. Mr. Weir: But it does not guarantee it free from T.B.?

The Witness: It does not guarantee it free from T.B. There is no inspection made, for instance, to safeguard the public from prevalent diseases taken from milk and which could come from T.B. inspected herds.

By Mr. Tummon:

Q. The city then have inspectors who inspect the different farms and dairies?—A. Just the peddlers.

Q. They don't go back to the farm?—A. Not the milk producer as such; that is, the ones that ship to distributors; no, they have no inspection.

By Mr. Bouchard:

Q. So there is no comparison that could be established between the pasteurized milk and the other milk because every care has not been taken so as to deliver natural milk in its best state.—A. No.

The Chairman: Is there anything further, gentlemen?

By Mr. Boyes:

Q. Do I understand you correctly, Professor, that the producer-distributor could sell his milk at any price he sees fit?—A. That is my understanding.

Q. Now then, I suppose they might sell milk as low as 5 cents in the city of Winnipeg in competition with the other at 10 cents?—A. No.

Q. Well, he could do that if he sees fit.—A. He could do it, but as I understand it, there has been no price cutting producer-peddler.

Q. Are you able through your Utilities Commission to get a fairly good supply of milk to be sold under regular distribution at 10 cents, has the sale of milk fallen off?—A. There has been an increase in milk consumption in Winnipeg since we took over control and as far as our records show, no increase in the amount of the producer-distributor.

By Mr. Bowman:

Q. Well, there is a considerable surplus.—A. Yes.

By the Chairman:

Q. These handling prices that have been given by the Commission, they are maximum prices, I take it, not the minimum prices?—A. My point, as I understand the regulations, is this; that the prices are set up and may be applicable to the producer-distributor, but they have never been applied to the producer-distributor.

By Mr. Tummon:

Q. I think that is a very important item. It seems to me to be very important.—A. Well, we are open to conviction on any point like that; there is no doubt in my mind that if that became an important factor in the Winnipeg situation that it would have to be applied.

Q. I cannot understand how your Municipal and Public Utility Board can function with satisfaction unless it covers the whole field.—A. Well, it will cover the whole field, it can cover the whole field; but it is my understanding—I am open to correction there—that so far they have not applied this control to the producer-distributor.

By Mr. Bowman:

Q. Is it really not a fact that it is a sort of a threat which is held over the peddler-producer, and vendor, that if you don't live up to the standard price that has been suggested in making his sales, it will be applied?—A. In fact Mr. Cottingham met them and he discussed the question with them, and they said: we have no intention of cutting prices other than we have been selling at. It has always been a little less than the pasteurized price, there has always been a differential.

Q. What is the differential?—A. I think it is between one and two cents. They agreed that they would not cut prices. They have associations of their own and as I understand it, Mr. Cottingham said, all right, you live up to it and it will save us from running around to check up. It is a terrific job to check up on milk peddlers, as to what prices they are selling at, and as I understand it, they have lived up to it.

Q. As the situation exists at the present time, the Producers' Association of which Mr. Sargent is president, have a guaranteed price set by the Commission?—A. Yes, but you have got to remember this, that not all the producers are in Mr. Sargent's association.

Q. I am recollecting that, but I am talking about the 70 per cent who are in his association.—A. Yes.

Q. Do they get a guaranteed price of $1.54 per hundred, while the other association which we have referred to, the peddlers' association, has had no price set so far as the sale of their milk is concerned?—A. Not arbitrarily set, but by understanding; that is, they agreed that they would not cut the price less than—I think it was 8 cents—which was the general store price.

Q. In other words, the small fellow belonging to the peddlers' association, sells his whole milk, unpasteurized, at approximately 8 cents, while the men belonging to Mr. Sargent's association—or the so-called Winnipeg Milk Producers' Association—sells at 10 cents per quart, and is guaranteed this $1.54 per hundred?—A. Yes.

By Mr. Bouchard:

Q. This Public Utilities Commission, Professor Grant, has nothing whatever to do with the quality of the milk?—A. No.

Q. That is set by the civic board?—A. There are just the ordinary regulations of minimum 3.25, I think it is, but no bacteriological tests, or anything like that.

By Mr. Mullins:

Q. But there is a certain regulation with respect to the standard of milk in Winnipeg; there used to be a standard of 3. something per cent—you can't sell any kind of milk that is not up to that standard.—A. Oh yes, there is a minimum butter fat standard, but that is on quantity.

Q. 3.5 is it?—A. There is no sanitary standard.

Q. Is there any bacteriological standard?—A. No.

Q. None at all?—A. None.

Q. Free from all inspection and control?—A. Well, we have a provincial health regulation with respect to pasteurizing plants, but for some reason or other, the city is exempt from it.

By Mr. Hackett:

Q. Are we to understand that pasteurized milk which is supposed to be immunized has to come up to the standard, but milk which is not pasteurized is free from any bacteriological standard whatever?—A. Well, there is no bacteriological standard other than what is set under pasteurization. Pasteurizing reduces the bacteriological count, but there is no regulation that it should be so treated, there is no compulsory pasteurization.

By Mr. Bowman:

Q. At the moment the whole arrangement is fairly loose, it is really a compromise which has been arrived at by the producer and the consumer and the distributor, as a result of chaotic conditions in the city of Winnipeg.—A. Absolutely.

By Mr. Bouchard:

Q. Have you any opinion to offer this committee with respect to these conflicting opinions about pasteurization; is pasteurized milk better than the whole milk? Is it good milk?—A. No, I am an economist, not a medical man.

Mr. Tummon: Before that question is answered, I would like to have Mr. Bouchard explain what he means by good milk.

Mr. Bouchard: It would take too long to convince the members of this committee, because they are so prejudiced on this matter of pasteurization.

The Chairman: I am afraid it would be a hopeless task.

By Mr. Mullins:

Q. Have you had any serious trouble arising because of these producer-distributors—the other 30 per cent—have you had any serious trouble?—A. You mean, outbreaks of disease?

Q. Yes.—A. I can't say, I think there are probably one or two cases.

The CHAIRMAN: Any further questions? If not, the thanks of the committee, I am sure, are due to Professor Grant for his very instructive discussion.

Mr. MULLINS: May I ask the witness where did this new idea in Winnipeg originate as to this?

The WITNESS: The public utility commission?

Mr. BOWMAN: The witness has explained there is a sort of compromise which was arrived at in the city of Winnipeg during the chaotic condition that existed there between the consumer and the producer, a couple of years ago—or at least a year ago.

The CHAIRMAN: We will meet to-morrow, then, gentlemen, at 11 o'clock. There are two gentlemen to be heard yet, Mr. Gooding and Mr. Love from the west, and I think that we will ask those gentlemen to be here to-morrow at eleven, or is it ten-thirty?

Mr. TUMMON: Ten-thirty.

Mr. BOUCHARD: Before the committee adjourns, I just wonder if it would be better or not to call one or two witnesses to give an unbiased view of this question of pasteurization, which to my mind is essential, is fundamental. The pasteurizer, the manufacturers of pasteurizers, the big combines you see that are distributing milk and with some other agencies have gone all through the newspapers, and they sing that pasteurized milk is the best milk we can drink. It is false. It is entirely wrong. Natural milk, well produced is. I know that the conditions to arrive at that are very hard to meet. I know that, but I think that this committee should have a litle unbiased view on this question of pasteurization.

The CHAIRMAN: Well, that is in the hands of the committee.

Mr. BOUCHARD: Well, I appeal to the committee then.

Discussion.

The CHAIRMAN: Are you ready for the question? The question is on Mr. Bouchard's motion that the sub-committee be authorized to consider the calling of witnesses on pasteurization. All in favour kindly stand. Contrary. I declare the motion lost.

We will meet to-morrow at eleven.

The committee adjourned at 5.25 p.m. until Thursday, April 20, at 11 a.m.

APPENDIX B

STATEMENT OF MR. F. O. SARGENT, PETERSFIELD, MANITOBA, PRESIDENT OF THE WINNIPEG DISTRICT MILK PRODUCERS CO-OPERATIVE ASSOCIATION LIMITED

CHAIRMAN AND GENTLEMAN:—On behalf of the Winnipeg District Milk Producers Co-operative Association Limited I herewith present to your Committee the following statement in respect to the present situation the milk business of Winnipeg is in. This statement is not going to repeat the story of the milk business during the past ten years, including the time of depression with the consequent milk war, but only deals with the present situation as it has developed since milk has been declared by the Manitoba Legislature to be a public utility, and to be regulated by the Municipal and Public Utilities Commission.

To inform your Committee about the past and how it came about that the milk business of Winnipeg has been put under the control of the Municipal and Public Utilities Board is shown by the speech of the Chairman of this Commission delivered to the Manitoba Dairy Convention in January, 1933, which I herewith deposit with your Committee as exhibit 1.

Cost of production.—According to recognized authorities (Pearson) it takes the following amounts of feed to produce 100 lbs. of milk:

	Lbs.
Grain	44
Hay	50
Silage	118
Roughage	39

at prices prevailing in Autumn, 1918, these amounts of feed cost:

Grain	$1 10
Hay	50
Silage	56
Roughage	07
Total	$2 23*

*For feed to produce 100 lbs. of milk. (Pearson).

at present prices for feed the above mentioned amounts would approximately be as follows:

Grain	50
Hay	25
Silage	40
Roughage	06
Total	$1 21

This amount of feed must be fed practically all the year round. In most parts of Manitoba there are not more than two to three months of good pasture available and even during that time the milk cow must have additional feed.

A Milk Cow requires a large amount of labor; the cow has to be fed and watered twice a day. The animals, the milk utensils, the barns and milk houses have to be cleaned daily. The feed, especially hay, must be hauled to the farm, the milk must be delivered to the station or to the road. The costs of labor to produce 100 pounds of milk are considered to be not lower than approximately 60 cents under ordinary conditions and the amount at present 40 cents for 100 pounds of milk.

There are miscellaneous operating expenses for milk, cooling and cleaning, for medicine, desinfectant, veterinary fees, testing dues, light and power, etc., which month by month, means considerable expense.

The hauling charges of approximately 25 cents per 100 pounds means another charge on the Producers.

The severe climate of Manitoba requires comfortable, warm barns. If milk shall be produced under sanitary conditions, the barn also needs concrete floors, drainage, special ventilation, and an ample supply of light. The cost of a barn lodging thirty (30) cows amounts to approximately $2.500. Interest, depreciation, insurance and repairs on such investments must therefore be added to the cost of production.

The herd charges are very high too. A good commercial cow under proper care producing approximately 6,000 to 8,000 lbs. per annum did cost $150 until 1930 inclusive, so that with a herd of 30 cows there is an investment of $3,000 on which interest, depreciation and insurance have to be paid. At the present time prices for such cows are considerably reduced. A good cow can be bought at approximately $60 to $70. Having bought their herds at high prices, most of the Milk Producers require to write off a large amount of their herd investment.

A problem which has been considered very little by the Dairy Farmer of Manitoba in the past is the loss through disease, Tuberculosis, Haemorrhagic-Septicaemia, and especially the contagious abortion disease, is the occasion of great losses in the dairy herds of this Province. The Farmer does not as yet realize the danger, but the Provincial Authorities are awake to the fact that the abortion disease (which is not controllable by serum) will, within a short time, amount to terrible capital losses.

The average cost of production during this Winter in Manitoba was "just on or around $1.50 to $1.60 per 100 pounds", freight included. These figures can only be applied to herds producing over 7,000 pounds per year, and Farmers who have cows below this average are losing money under the present regulations of the Municipal and Public Utilities Board, and it is a fact that a certain percentage of our Winnipeg Producers will be put out of business.

Re. milk as a Public Utility in Winnipeg.—I herewith deposti with your Committee the orders of the Municipal and Public Utilities Board and wish to remark that the prices are fixed all around, and that this was the only method for the Municipal and Public Utilities Board to settle the question. If prices were fixed to the Producer, some new Companies with very low investments, after the type of Chain stores, only selling to their own stores and taking no responsibility regarding the business as a whole, including the wagon business, could take the situation in hand, throughout and monopolize on figures they see fit. Milk being a public utility needs control all around, otherwise the regulation would break down under the pressure of the free marketing system.

The Municipal and Public Utilities Board in Winnipeg is not regulating its' Orders with the Police Force, but with the view to being reasonable with all concerned, and to arrange matters as you might say on a general agreement basis.

The Board is evidently taking the average Producer and average Distributor as a basis to work on, as far as prices are concerned, so that the basis of its' policy is economically and financially sound.

I herewith submit to your Committee the actual figures as supplied by the Municipal and Public Utilities Board for the month of October, 1933, up to and including March, 1934, as exhibit three.

The actual spread between the Producers and Consumers price in Winnipeg for the past ten years is shown as per attached table, which I deposit with you as exhibit four.

At present the following table is in practice with the assumption that the Producer is getting approximately four cents per quart:—

		Operating spread
	cts.	cts.
Retail milk	10	6
Relief milk off wagon	8	4
Milk sold to stores	7½	3½
Bulk milk	6¼	2¼

The actual operating spread of the different Distributing Companies is different on account of the fact that there are different quantities sold as, retail, wagon relief milk, store milk and bulk milk.

For three different Companies the spread to-day is as follows: 4·7, 4·8 and 4·4.

Some of the creameries claim that this spread is not sufficient for them to operate on. As a matter of fact, it is quite apparent that two of the Distributing Companies are not receiving a sufficient spread to pay their operating expenses, as well as their bond interest, while three other Companies which retail, and one Chain Store which pasteurizes milk for its' own stores seem to manage on the present spreads.

One of the Pasteurizing Companies is not paying the price of $1.54 as ordered by the Municipal and Public Utilities Board, but is paying $1.74 for all milk sold as retail milk, and this Company has done so all winter.

Questions not yet satisfactorily settled for the Producers.—The Distributing Plants require from 9 to 12 per cent of their supply of milk for standardizing purposes, namely, for cutting cream, making buttermilk and ice cream. Under the present orders of the Municipal and Public Utilities Board for this milk they only have to pay butterfat prices, which is approximately 70 cents at the rate of 3·5 per cent of butterfat. It is quite evident that at 70 cents there are only 3·5 per cent of butterfat available on the open market, while the Farmer actually ships 100 pounds of whole milk at 3·5 butterfat, therefore the Farmer is giving the Creameries the freight on 100 pounds of milk, which averages ·25 cent per 100 pounds and the skim milk is approximately ·10 cent per 100 pounds without getting any consideration for it. Besides that the Distributors are making a good profit on the sales of buttermilk, cream and ice cream. As a matter of fact it is quite evident that cream and ice cream are better paying propositions for the Distributing Companies than whole milk.

There is also no control of weights and a very inadequate control of butterfat tests. A proper method in this respect should be established by replacing the present scales of the Distributing Companies with automatic recording units, and by a Government test system whereby the testing of butterfat might be actually done by Government officials.

The handling of surplus milk is as yet not settled. It would be of great advantage to establish a milk shed by licensing all Producers and thus prohibiting any new shippers coming into the field of whole milk marketing until cause is shown.

The better plan would be if the Producers' Associations would establish themselves into a Selling Association whereby they would only sell the fluid milk requirements to the Distributing Companies and use the actual surplus milk for manufacturing purposes, the products to be marketed by the Producers' Association.

The question of new Pasteurizing plants to come into the whole milk market should also be considered very seriously. At present there are sufficient creameries in Winnipeg to handle the milk and we take the attitude that each new creamery is detrimental to both producers and consumers, as it increases the operating spread of the distributing companies. There are sufficient distributing companies in Winnipeg and therefore no new company should be allowed to enter into the field until cause is shown by an increased market.

It should be recognized that milk ordinarily produced for cream, namely, all seasonable milk, should not enter into competition with the whole milk supply. The whole milk producer has to guarantee the whole milk markets with a sufficient supply all the year around, which means considerably higher expenses to the whole milk producer in comparison with the cream shipper.

Therefore, a deferential should be recognized between the price for cream and whole milk, which should not only cover the difference in expenses shown as freight, value of skim milk, but recognition should be given to the fact that the whole milk producer must have an equal supply of milk all the year around, and take better care regarding his herd, cleanliness, hygiene, etc.

In the United States of America this deferential has been recognized by the last Convention of the milk dealers in Detroit last fall, where this deferential was established at the lowest level of ·45 cent per 100, and with the highest level at 90 cents per hundredweight.

The question of capitalization of the distributing companies should not be considered by regulating the prices to be paid, as there is a great difference between the old established companies working on inflated investments, while the new companies are working under present adjusted conditions. This does not mean that the old companies should be put out of business but that they have to adjust their capitalization and investments in accordance with the present prices, an adjustment which has taken place with the farmer and in many other lines of industries in Canada, and which adjustment in a general way has to come about all over.

File No. 19/32.
Order No. 635.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

Friday the second day of September, A.D. 1932.

BEFORE: the Chairman,
Mr. D. L. Mellish, member,
Mr. G. H. Balls, member.

In the matter of the Milk Supply of Greater Winnipeg.

Subsequent to the Board's interim decision of July 23, 1932, the Winnipeg District Milk Producers' Co-operative Association, Limited, by its Solicitor, Mr. T. J. Murray, K.C., applied to the Board for an opportunity to submit further evidence. At one or more of the hearings ensuing the former interests were represented, and evidence was given to show the shortage of pasturage, due to grasshoppers and drouth, and the difficulties in getting fodder among the milk producers in the Winnipeg milk shed, and the resulting prospective shortage of milk supply.

In general, it appears that, because of the competitive conditions in Greater Winnipeg referred to in the interim decision, the customary autumnal price changes based on the cost of winter feeding of cows cannot be brought into effect, and that the increased price of butterfat (now 19 cents per pound) will cut off the supply of milk, unless fluid milk producers' prices are increased at once.

Following the taking of this evidence a general arrangement toward establishing winter prices of milk for both consumers and producers was arrived at among the leading distributing companies, based on conferences held among the following distributors, either among themselves or, as to some of them, with members of the Board:

Home Dairy Limited,
Crescent Creamery Company, Limited,
City Dairy Limited,
Modern Dairies Limited,
St. Boniface Creamery Company Limited,
Piggly Wiggly Canadian Limited,
Workers and Farmers Co-operative Association, Limited.

These prices are based on schedules filed by the leading distributors and are calculated to ensure an adequate supply of milk for the coming winter in the area under inquiry. They appear fair and reasonable, but to be made effective it is necessary under existing conditions for some outside body to give impetus and support to the arrangement, in the main to require that milk prices be fixed more nearly in line with the price of butterfat and standardized, a position materially different from that obtaining on July 23.

Accordingly, it is now found that the milk supply in the area known as Greater Winnipeg is likely to be interrupted or impaired in quality to an extent affecting the public health or convenience, unless the above arrangement is put on record, and that measures should therefore be adopted to ensure the continuity of adequate milk supply in the said area.

It is therefore ordered, all members of the Board concurring:

(1) That milk producers and distributors are hereby classified as:

Class A—Those who buy, pasteurize, process and/or have milk for resale as fluid milk.

Class B—Those who sell milk produced by themselves by direct delivery to consumers (producer-distributors).

Class C—Stores that sell milk or keep it for sale.

Class D—Milk producers or shippers.

(2) That the prices in the following schedules of rates at which milk shall be purchased and sold in Greater Winnipeg are hereby authorized, approved and directed to be effective:

A—Schedule of Prices to Milk Producers

To be paid to producers by milk distributors (Class A, above) and others who purchase milk in bulk direct from producers, for distribution as fluid milk—a minimum price equal to One Dollar and Fifty-five Cents ($1.55) per hundredweight (3.5 standard) f.o.b. plant, in quantities based on contract or quota arrangements between distributors and producers.

B—SCHEDULE OF DISTRIBUTORS' PRICES

(*a*) Fluid Milk to Consumers—

To be charged to purchasers of fluid milk by the bottle:

Delivered at consumers' premises, whether by wagon or otherwise: per quart, ten cents; per pint, six cents; per half pint (to schools only), three cents.

Sold by stores for cash, to be carried away by the purchaser: per quart, eight cents; per pint (minimum—four and one-half cents; general—five cents).

Subject to contracts in favour of hospitals and governmental, municipal, charitable and/or relief institutions.

(*b*) Fluid milk to stores:

To be charged by distributors to stores and the operators thereof purchasing milk for resale: per quart bottle, seven and one-half cents; per pint bottle, four and one-half cents.

(*c*) Fluid milk in quantities: Bulk, per gallon, twenty-five cents. In bottles, per quart, seven and one-half cents; per pint, four and one-half cents; per half pint, two and one-half cents.

(3) The following is approved as the schedule of prices of cream, applicable in Greater Winnipeg:

(*a*) Delivered at consumers' premises, whether by wagon or otherwise, per one-half pint bottle: coffee or eighteen per cent cream, twelve cents, whipping or thirty-two per cent cream, twenty cents; (*b*) cream sold at stores, to be carried away by purchasers for cash, per half pint bottle: coffee or eighteen per cent cream, nine cents, whipping or thirty-two per cent cream, fifteen cents; (*c*) to stores for resale: per half pint bottle: coffee cream, eight and one-half cents, per half pint bottle whipping cream, fourteen cents; (*d*) in quantities or by wholesale: eighteen per cent cream, per quart bottle, thirty-five cents, per gallon (bulk), one dollar and ten cents; twenty-five per cent cream, per quart bottle, forty cents, per gallon (bulk), one dollar and thirty cents; thirty-two per cent cream, per quart bottle, fifty cents; per gallon (bulk), one dollar and sixty cents.

All cream prices subject to variations in price of butterfat as against butterfat price now obtaining.

(4) Milk and cream shall be kept for sale and sold in Greater Winnipeg, subject to the following conditions: (*a*) That every person, firm or corporation producing, handling, bottling, furnishing, delivering, keeping for sale or selling milk or cream, do so according to law and the provisions of municipal by-laws, and to such registrations, permits or licences as this Board may hereafter lawfully require; (*b*) That offers to sell or the sale of milk or cream shall not be made in combination with offers to sell or the sale of any other commodity.

(5) Every person, firm or corporation who purchases fluid milk from a producer or shipper, for resale as fluid milk in Great Winnipeg, shall, on or before the seventh day of each calendar month mail or deliver to the Secretary of this Board a return showing for the last preceding calendar month the following:

(*a*) The quantity in pounds of fluid milk so purchased by him, and delivered to him at his plant in Greater Winnipeg; (*b*) the amount paid for the same separated as to percentages of contract or quota quantities purchased, if so separated, and for surplus milk, if any; (*c*) the quantity of milk so purchased, which was sold by him as fluid milk, and (*d*) the quantity of milk so purchased disposed of by him as surplus milk or disposed of otherwise than as fluid milk.

Such returns are to be kept for the confidential use of the Board.

(6) This order shall not apply:

(*a*) to transactions between creameries and milk pasteurizing plants in Greater Winnipeg; (*b*) to sales of buttermilk, skimmed milk, or other milk products not specifically referred to herein, or (*c*) to milk in bottles bearing caps marked "certified" where such are issued by authority of the Board of Health.

(7) This order shall apply to all purchases of fluid milk for resale as fluid milk and to the sale of fluid milk in the area of Greater Winnipeg, which. for the purposes of this and subsequent orders, if any, comprises the Cities of Winnipeg and St. Boniface, the Town of Tuxedo, the Village of Brooklands and the Rural Municipalities of St. James, St. Vital, Fort Garry, West Kildonan and East Kildonan, excepting the non-urban portions of such rural municipalities.

(8) Pursuant to section 127 of The Municipal and Public Utility Board Act, no change in the prices hereby authorized shall be made except by approval of this Board, and any person desiring to vary any of the said prices shall, before doing so, file notice with the Secretary of the Board of his desire to do so, setting out the changes proposed and the reason for the same, which shall be supported at a hearing of the parties interested, after due notice.

(9) This order shall come into force at and from one o'clock in the morning of September 12, 1932, this date being specified because the financial condition of the producers does not in the opinion of the Board permit of the operation of the statutory period. The order is an interim or temporary one and, by statute, "shall cease to have effect on the twentieth day after the opening of the next session of the Legislature." Power is reserved to make such further or other orders in the matter herein dealt with or arising out of the same, and within the jurisdiction of the Board, as may be deemed advisable.

THE MUNCIPAL AND PUBLIC UTILITY BOARD,

W. R. Cottingham,
Chairman.

Morris Jacob,
Secretary.

Certified a true copy of Order No. 635 dated the Second day of September, A.D. 1932.

Morris Jacob,
Secretary.

Order No. 661. File No. 19/32.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

Friday the Twenty-eighth day of October, A.D. 1932.

Before: the Chairman.
Mr. D. L. Mellish, member,
Mr. Geo. H. Balls, member.

Re Milk Distribution in Greater Winnipeg

The Board, of it own motion, and following several conferences with representatives of the milk distributors and producers, and as supplementary to Order 635, Hereby Orders:

(1) The clause in Order 635, following the heading "A-Schedule of Prices to Milk Producers" refers to contract or quota arrangements between distributors and producers, established between the parties prior to the monthly receipts of milk by the distributors, and not those determined by settlements made by distributors after the month's receipts are in. Accordingly, the settlements made with their shippers by some of the distributors, on the basis of the distributors' volume of sales for the period of September 12 to September 30, 1932, are held to be unfair to the regular shippers of these distributors, and the October settlements by these distributors should include adjustment to the shippers in question for this period of September, based on their September quotas, and it is so ordered.

(2) Settlements for the month of October shall not be made by any distributor until his quota basis has been approved by the Board's Inspector, Mr. J. D. Cameron.

(3) For the purpose of prescribing how quotas should be hereafter determined, to the end that a steady flow of milk may be maintained, the following rules are provided: (*a*) All changes in quotas shall be made and notified to the producers by mail before the first day of the month to which they are intended to be applied, except where the distributor requires an immediate increase in his shipments; (*b*) The total quantity of milk intended by a distributor to be received by him in quota shipments during any month, shall not be less than the average monthly sales of fluid milk of that distributor during the period on which the quotas are based; (*c*) Each distributor forthwith after making any change in his producers' quotas, shall advise the Secretary of the Board thereof by mail; (*d*) Before regular or established fluid milk producers' quotas are reduced, distributors shall check their lists of shippers for the purpose of deleting temporary shippers, shippers of dirty or unsanitary milk, and shippers of milk ordinarily used for manufacture; (*e*) Where a distributor's gross sales of fluid milk in any month exceed the gross quota quantities received by him in that month, the excess shall be paid for in the settlements for that month, on the fluid milk price basis, and not on butter-fat price basis; (*f*) So long as the price schedule to producers remains as provided in Order 635, variations from the standard butter-fat content shall be settled for at the rate of at least three cents a point above or below 3·5 standard.

(4) Copies of the foregoing rules shall be printed by the Secretary of the Board, and one copy thereof mailed to each of his shippers by each distributor, with settlements for the month of October, 1932.

(5) This order is effective forthwith.

THE MUNICIPAL AND PUBLIC UTILITY BOARD,

W. R. COTTINGHAM,

(Seal) *Chairman.*

MORRIS JACOB,

Secretary.

Certified a true copy of Order No. 661, dated October 28, 1932.

MORRIS JACOB,

Secretary.

Order No. 683. File No. 19/32.

MANITOBA

THE MUNICIPAL AND PUBLIC UTILITY BOARD ACT

TUESDAY the Twenty-ninth day of November, A.D. 1932.

BEFORE: the Chairman,
Mr. Geo. H. Balls, member.

The Board's order No. 648 provided for the payment, to defray the expenses of the Board, by producers of milk for re-sale in Greater Winnipeg, at the rate of one cent per hundred pounds monthly for the months of September and October, 1932, and at the rate of a half cent for subsequent months. It has come to the notice of the Board through the Press, that the Privy Council affirming a decision of the Appeal Court of British Columbia has held that a levy of this kind upon the producers, effected through the distributinng companies, is an indirect tax and beyond the power of the Legislature. A doubt may arise whether this decision applies to the Board's orders in view of the public utility principle applicable to the milk industry in Manitoba, but to be on the safe side it is deemed expedient to reduce, by one cent per hundred poudns, the price fixed by Order 635, as payable to the producers, and to add a similar amount to that apportioned amongst and payable by the distributors. The one cent rate is continued because the amounts received so far have not been sufficient to retire the Board's obligations to its departmental appropriations and its monthly expenditures at their present rate.

Accordingly Order No. 635 is amended by substituting the words and figures "One Dollar and Fifty-four cents ($1.54)" for the words and figures "One Dollar and Fifty-five cents ($1.55)" in the fourth line of the Schedue of Prices to Milk Producers in the third page of said order.

And Order No. 648 is amended by striking out clauses 1 and 2 thereof, and by substituting therefor the following as clause 1, the present clauses 3 and 4 becoming 2 and 3.

1. That the costs and expenses of the Board are apportioned amongst, and shall be paid by the Milk Distributors on record herein on the basis of two cents for each hundred pounds of milk sold as fluid milk by each of them in the area of Greater Winnipeg, as defined by Order No. 635, during each calendar month, such amounts to be remitted to the Secretary of the Board with the monthly returns required by Order 635. Until further ordered such apportionment shall be made, applied and payable for the month of November, 1932, and succeeding months.

This order is effective forthwith.

THE MUNICIPAL AND PUBLIC UTILITY BOARD,
W. R. COTTINGHAM,
Chairman.

(Seal)

MORRIS JACOB,
Secretary.

Certified a true copy of Order No. 683, dated November 29, 1932.

MORRIS JACOB,
Secretary.

WINTER MILK PRICES IN WINNIPEG DURING THE PERIOD OF 1921 TO 1932 INCLUSIVE

Year	Paid to producers per 100 pounds f.o.b. city	Paid to producers per quart, f.o.b. city	Charged to consumers per quart. Retail sales	Distributors spread per quart. Retail sales
	$ cts.	cts.	cts.	cts.
1921	2 45	6·1	13	6·9
1922	2 45	6·1	13	6·9
1923	2 40	6·0	13	7·0
1924	2 55	6·37	13	6·63
1925	2 17	5·42	13	7·58
1926	2 32	5·8	13	7·20
1927	2 47	6·15	13	6·92
1928	2 47	6·15	13	6·92
1929	2 45	6·15	13	6·9
1930	2 16	5·41	12	6·6
1931	1 66	4·15	10	5·85
1932—Jan. 1 to June 15	1 40	3·5	10	6·5
1932—June 16 to Sept. 12	1 00	2·5	8	5·5
1932—since Sept. 12 (order) Public Utility Commission	1 55	3·87	10	6·13

CONFIDENTIAL INFORMATION FOR SECRETARY, MILK PRODUCERS' ASSOCIATION

Month	Total purchased	Full price basis	Butterfat basis	Percentage butterfat basis	Gross value purchases	Fluid sales	Manufactured	Overpaid	Over all price	Sales against last month	Purchases against last month
					$ cts.						
October....	5,881,667	5,185,129	696,538	11·8	89,987 28	4,833,883	1,047,784	6·6	1,530	...	..
November.........	5,338,470	4,948,322	390,148	7·3	82,719 17	4,720,255	618,215	4·8	1·549	+0·9	−6·6
December......	5,663,904	5,109,616	554,288	9·8	85,630 85	4,845,715	818,189	5·4	1·511	−0·7	+2·6
January........	5,790,076	5,150,620	639,456	11·0	86,835 98	4,865,148	924,928	5·86	1·500	+0·4	+2·23
February.... .	5,390,614	4,721,020	669,594	12·4	79,503 09	4,526,401	864,213	4·30	1·475	+3·0	+3·0

I HEREBY CERTIFY that the above is a true statement compiled from the records of this Board in connection with its administration of the pasteurizing plants in the Greater Winnipeg area. The producer-distributor, otherwise known as the pedlar, which constituted approximately one-third of the milk consumption, in this area, is not included in this statement.

MORRIS JACOB,
Secretary.

Filed by Dr. Grant

THE MUNICIPAL AND PUBLIC UTILITY BOARD

Monthly Return by Milk Distributor, as required by Order 635.

By ....
(Name of Company)

For the month of April, 1933.

Milk purchased:

A. Gross fluid milk purchased.................................. pounds.

B. Gross amount paid for A—.................................. $......

C. *Division of A—*

1. Quantity on $1.54 basis.................................. pounds.
2. Quantity on butterfat—price basis.......................... pounds.
3. Quantity on other bases:
.... pounds.
.... pounds.

Total of "C".. pounds.

Milk disposed of:

A. As fluid milk.. pounds.
B. In other forms:
.... pounds.
.... pounds.

Total of milk disposed of................................ pounds.

Cheque attached herewith for:

2c. per 100 pounds on milk disposed of as Fluid Milk "A" above. $......

I hereby certify that the foregoing is true in substance and in fact.

____

____
(Name)

____
(Office in Company)

Date:

N.B.—This form should be completed and returned to the Board on or before the 11th day of the month succeeding that being reported.

MORRIS JACOB,
Secretary, Municipal and Public Utility Board,
214 Law Courts,
Winnipeg, Man.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 20, 1933

No. 19

Reference,—Milk and Milk Products

WITNESSES:

R. U. Hurford, President B. C. Dairymen's Association.

C. T. Gooding, President and General Manager, Saskatoon Dairy Pool.

J. L. Love, M.L.A., Member of Alberta Dairy Pool.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, April 20, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bouchard, Bowen, Boyes, Butcher Carmichael, Coote, Donnelly, Gobeil, Jones, Loucks, Lucas, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Porteous, Seguin, Senn, Shaver, Simpson, Swanson, Taylor, Tummon, Weese, Weir (*Macdonald*), Wilson.

The Clerk was called upon to read a Brief submitted by the Alberta Fluid Milk Producers' Association. (See the Brief extended in the evidence hereto.)

R. U. Hurford, president of British Columbia Dairymen's Association addressed the meeting as to the milk situation on Vancouver Island.

C. T. Gooding, president and general manager of the Saskatoon Dairy Pool was called, sworn and examined.

Witness retired.

The committee adjourned at 1 p.m. to re-convene at 3.30 p.m.

The committee re-convened at 3.30 p.m., Mr. Senn in the Chair.

J. L. Love, M.L.A., a member of the Alberta Dairy Pool (Northern), was called, sworn and addressed the committee and was examined at length.

Witness retired.

The sub-committee on witnesses, by its Chairman Mr. Tummon, reported recommendations as to next week's meetings and witnesses as follows:—

Monday, April 24, 3.30 p.m., Officers of the Ottawa Valley Milk Producers' Association.

Tuesday, April 25, 10.30 a.m., Geo. Hogg, president of Guaranteed Pure Milk Co. Ltd., Montreal.

Wednesday, April 26, 3.30 p.m., Officer of City Dairy Limited, Toronto.

Thursday, April 27, 10.30 a.m., Officer of Silverwoods Limited, Hamilton

The sub-committee recommendations were concurred in.

The meeting adjourned till Monday, April 24, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

April 20, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock a.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, if you will come to order: the witnesses called for this meeting are not here but I am in receipt of a brief from the Alberta Fluid Milk Producers' Organization which I think should be read into the record. I will ask the clerk to read it while we are waiting, I think it is rather important.

(Document read by clerk.)

To the Chairman of the Commission appointed by the Federal Government to investigate conditions of the Milk Industry in Canada:

At a meeting held in Calgary, Alberta, April 15, 1933, at which meeting were represented all organized groups of fluid milk producers in the province of Alberta, including representatives of the Calgary Cooperative Milk Pool, Calgary United Dairy Producers' Association, Edmonton Milk and Cream Producers' organization and the Edmonton Producer-Retailer Association, by resolution it was unanimously agreed to place before your Commission by way of this brief the position taken by the Alberta fluid milk producers, and in this way try and assist you in your efforts to solve the problem of the dairy industry in Canada.

We would like to point out that the representatives chosen from Western Canada to give evidence before the Federal Commission appointed to look into the question of the milk industry and its problems represent primarily the dairy industry as a whole, and in particular the manufacturing end of the industry; and although they will have considerable knowledge in regard to the problem that faces the fluid milk producer, yet of necessity their interest will be with the part of the industry that affects them most.

Therefore we wish to confine our suggestions and information to the interests of fluid milk producers. We wish to treat the subject under the following headings:—

1. *Fluid milk production a class by itself:*
   - (*a*) A steady daily supply is demanded for the protection of the consumer. This entails special control of herds in order to meet the demand.
   - (*b*) Fluid milk supply is subject to rigid inspection as to quality, herds, buildings, etc.
   - (*c*) Labour must be paid for at a higher rate than that of the ordinary farm labourer.
   - (*d*) A continuous 365-day supply and service.
   - (*e*) Special delivery must be made, which entails extra expense.

We point out the above few facts simply to try and prove that the fluid milk industry should be considered as a business that must of necessity stand apart from other dairy interests; and the fact that cream and cheese prices are sometimes used in order to lower the price of milk should not be tolerated.

2. *Profit and distribution:*

(*a*) Effort should be made to place the production of fluid milk on a cost-plus basis, and should be based on average cost of production in the same way as the distributor bases his spread on a cost-plus basis.

(*b*) Distributors' spread should be allowed on the replacement value of their assets and present overhead, and not on a basis of inflated value of said assets.

(*c*) We believe that the distributors and producers are both entitled to a fair profit on their investment and costs, and that the consumer must pay a price for his milk that will allow a fair profit for production and distribution. He must pay for quality and service.

(*d*) We suggest further that the question of duplication in the service of distribution must be considered from the standpoint that the producer pays; for instance, seven rigs on one street where one rig will do the work simply means in the final analysis that the consumer and producer are paying the extra overhead for six unnecessary wagons, and all that that entails.

3. *Surplus:*

(*a*) We would like to point out to the Commission that surplus in the different milk sheds throughout Canada is caused not so much by reason of any attempt on the part of the producer to over-produce or a desire to do so, but the necessity of having to produce two pounds of milk instead of one in order to secure the required income necessary for him to live. This condition, if allowed to continue, will eventually kill itself, and then the consumer starts to pay.

(*b*) If the producer is given a cost-plus basis for the amount that is definitely consumed as fluid milk, then the surplus will readily take care of itself under proper control.

(*c*) Surplus milk is one of the penalties the producer pays in order to guarantee a sufficient supply to the consumer 365 days in the year.

(*d*) The producer of fluid milk in every milk shed, we feel satisfied, would be willing to take care of his own surplus, providing he can secure a reasonable price for milk sold for consumers' use.

Therefore we claim that the problem of the fluid milk surplus, at least for Alberta, can be solved by the governing bodies of producers' organization along with the co-operation of the distributor, in each particular milk shed.

4. *Chain stores and price-cutting:*

(*a*) Alberta producers are of the opinion that milk sales should be confined to sales off wagons, so long as that method of distribution predominates; the reason being, if wagons could handle all milk sales it would cut cost of distribution, as more units could be sold per wagon, and both producer and consumer should benefit.

(*b*) Stores should not be allowed to sell milk below cost in order to secure trade and the sale of other commodities.

(*c*) This field of argument should also take into consideration price cutting other than that done by chain stores; in particular, the dairyman who, for some reason, feels that he can go into the field of distribution and sell his milk direct at a cut rate price; the only effect of which is that by so doing he affects the whole milk industry, and instead of stabilizing it and assisting in maintaining a reasonable price, ruins the whole structure, eventually bringing it down to his own level, which means chaos. He should be controlled.

5. *Control of the milk industry from the standpoint of the Utilities Board:*

We place ourselves on record as being in favour of some system of definite control, such as through the Utilities Board; and we feel that the producer, consumer and distributor are entitled to the same basis of consideration as other public utilities, such as light, water, heat, etc., as milk is just as much a public necessity as any of the above. We suggest through control in the above manner that the following would result:—

(*a*) Price cutting stopped.

(*b*) Spread between producer to consumer be controlled.

(*c*) Industry stabilized.

(*d*) Price arranged on an equality basis.

We submit the above suggestions in a spirit of co-operation, and would be pleased if the Federal Commission now sitting see fit to call on our Alberta United Producers' group to send a representative to appear before them, in order that they might have available before making a decision which will cover all Canada, the position and attitude of the producers of fluid milk in Alberta.

R. H. M. Bailey,
President of the Edmonton Milk & Cream Producers' Association, Ltd.

J. B. Ritchie,
Sec.-Treas. of Edmonton Milk & Cream Producers' Association, Ltd., R.R. 2, S. Edmonton.

John Beynon,
President of United Calgary Milk Producers' Association.

C. Picton,
Sec.-Treas. of United Calgary Milk Producers' Association, General Delivery, Calgary.

Keys Cullen,
President, Co-Operative Pool Producers, Calgary.

The Chairman: Gentlemen, if you will come to order, the witnesses for this meeting are not here and I am informed that we have Mr. Hurford, president of the British Columbia Dairymens' Association, who can perhaps give us some essential information as to the milk situation on Vancouver Island. I think that we should limit his time say, to 15 or 20 minutes, so that we can hear the other witnesses if necessary. What is your wish gentlemen.

Carried.

R. U. HURFORD, called.

The CHAIRMAN: We will ask you to proceed, Mr. Hurford.

The WITNESS: I have been managing a creamery on Vancouver Island for the past 25 years and have the honour for some years of being president of the British Columbia Dairymens' Association; I have also been connected with your National Dairy Council for eleven years.

I have been requested to give you gentlemen an outline of the milk situation in Victoria, and the dairy situation on Vancouver Island. I am not much of a speaker but I will try to give you that picture as briefly as possible, and I hope to leave the situation clear in your mind. I might say that in referring to Victoria, I refer to Greater Victoria, which would take in the surrounding Oak Bay and Esquimalt, which is practically joined to Victoria, a population of approximately 70,000.

In the province of British Columbia we have what is known as the Milk Act. I am referring to the "Act respecting the production and sale of milk for human consumption." Any city may apply or elect to come under that Act with regard to the regulations therein, and with regard to pasteurization.. Pasteurization is not compulsory in British Columbia but a city may elect to come in under that Act and regulations pursuant thereto. I will leave a copy of the Act with you, and the amendments; also a copy of the regulations pursuant to the Milk Act. I might state that the regulations set forth the grading, the terms and methods of grading. According to the regulations of the Milk Act, a producer that does not secure 80 per cent or over of the requirements set out by the score card, of which I will leave you a copy, which covers the premises, the health of the cattle and the methods of handling—these are all scored on a score card such as this, which I will leave with you; and any vendor or any producer who does not get a score of 80 or over cannot supply milk to a city which elects to come under the regulations which I have named without pasteurization.

The city of Victoria has put into effect or will put into effect conditions giving the consumer the regulations which will require that milk produced must come from premises or herds which will score 80 per cent of the regulations as set out; and failing that, must be pasteurized. In order to paint the picture for you thoroughly, as far as Victoria is concerned, there are four plants, four wholesale distributors, which have pasteurizing plants in the city of Victoria; and you have approximately, supplying the city of Victoria, 253 milk shippers; that is to say not shipping to the plants, but milk distributors in the form of the four wholesale plants and 249 retail distributors, producer distributors.

By Mr. Tummon:

Q. You mean stores?—A. No, I mean farmers or producers who are retailing or peddling, whichever word you care to use, their milk in the city of greater Victoria.

By Mr. Meyers:

Q. Their own milk?—A. Their own methods; approximately 249, and you have four plants which have pasteurizing equipment to handle the pasteurized milk. Of those 249 there are approximately 100 shippers or producers of milk peddling or selling their own milk retail who, I would term are highly efficient; that is to say, their methods are good as evidenced by the fact that their average bacteriological count, taken over an extended period, will average below 10,000, which any of you gentlemen familiar with the milk situation will admit is a fairly good standard of retail milk.

Q. These private shippers do not have their milk pasteurized?—A. No, these private shippers do not have their milk pasteurized, but there are—and I repeat that—around 100 private shippers that have reached and do uniformly maintain quite a fairly high standard, as evidenced by the fact that the average bacterial count of approximately 100 shippers would be within 10,000 per cubic centimeter.

Q. Does their milk sell at the same price as pasteurized milk?—A. These 100 shippers, they are not price cutters. The well maintained, regulated dairymen in Victoria are not enthusiastic, speaking in the main, of course—they are not cutting the price of milk to any great extent. That is to say, they average around eight quarts per dollar, for high milk.

Mr. TUMMON: A little better than 12 cents.

The WITNESS: As far as shippers to wholesale distributors are concerned, in the past they have had contracts, have been regulated with regard to supply and demand, that is to say, the amount of milk which will be paid for upon a milk market or fluid milk basis, and the surplus which will be paid for upon a butterfat basis. At the present time those contracts are not in effect; that is to say, that neither the producer nor the wholesaler has been able to submit a contract to the parties he is dealing with, which is satisfactory. At the present time there are no contracts, and there is no recognized system, in as much as the wholesaler is dealing with the producer on no organized basis. They make their own terms.

To give you an idea of prices, gentlemen, the prices that are prevailing, the average price would work out between 35 and 40 cents per pound butterfat for the fluid milk. In a few instances I came across a price of as high as 45 cents per pound butterfat, on the fluid milk basis. But there is, as I tried to explain to you, no regular method of setting the amount which will be paid for on the fluid milk basis, and the amount which will be paid for on a butterfat basis, in effect at the present time. The average would work out they are paying for the surplus on the basis of from 20 to 25 cents; and from the information I have it would seem that the average price that the producer received would be between 28 and 32 cents per pound butterfat.

By Mr. Pickel:

Q. That would signify that about half of the production is classed as surplus?—A. Approximately that; but I want you to get this quite clearly, that there is no regular method. The distributor may have some terms with this party as a shipper, and another term with another party, and it is entirely in the distributor's hands as to the amount of surplus or proportion of surplus which may be paid for as such.

By Mr. Porteous:

Q. Do they pay different prices?—A. Yes.

Q. Different prices to different parties?—A. Well, I don't think so. The distributor is paying a uniform price. Of course, there is the matter of shipment or freight sometimes, or bringing in, but a distributor is paying a uniform price to his shippers in the main, but he may not be taking a uniform ratio. I have no thorough figures on that.

Q. That will depend on the constancy of supply, I suppose?—A. On the constancy of supply. I want you to get this quite clear, that there has, in the past, been agreements which have been in effect, and some have been too high a price. One firm made an agreement over a period at a price of butterfat which was more than was justified by the way conditions afterwards turned out, and that agreement, of course, had to be cancelled, and a new agreement was brought

forward; and there have been agreements or tentative agreements submitted by the producers and by the distributors, but at the present time no agreement has been accepted, or has been produced which is agreeable to both; perhaps that is the better way to put it.

By Mr. Pickel:

Q. Could you give us an idea of the spread to-day?—A. Milk is retailing in Victoria for from 10 to 14 quarts per dollar.

Q. Ten to fourteen quarts a dollar; I thought it was eight?—A. Yes.

By the Chairman:

Q. Off wagons.—A. I am maintaining to you, and I want to get it clear, that these approximately 100 which I would call highly efficient dairymen, producing a high standard of milk with a regular line of customers, and giving this milk with a count averaging below 10,000, are getting 8 quarts per dollar, with not a great deal of price cutting going on amongst that class of dairymen. On the other hand, it is possible to buy milk in Victoria from 10 to 14 quarts per dollars, and a lot of it.

By Mr. Pickel:

Q. That is in bootlegging?—A. The remaining one hundred and some odd.

Q. These four distributing plants, what is their spread?—A. They are selling milk at nine and ten quarts per dollar. There are two kinds of milk, of course. There is jersey milk and the regular milk they are selling at nine quarts per dollar and ten quarts per dollar. One party is selling at twelve.

Q. Can you give us an idea of how much spread they make per quart?—A. I could not.

The Chairman: Mr. Hurford, you have been going for fifteen minutes. I see that the witnesses that were called are here, and if you can conclude your remarks within a few minutes, I think I will ask you to do so, unless the committee wishes otherwise.

The Witness: Yes, I will. With regard to the balance of Vancouver, there are four creameries, three actually upon the island, and one upon an adjacent island, Salt Spring Island. They are all co-operative. Some of them have been in existence since the Cowichan Creamery in 1895, the Comox Creamery in 1901 and the Nanaimo Creamery shortly after that date, each operated in quite an efficient manner. Their financial basis is quite sound. They each have a reserve which they have built up in that period, and they are looked upon as being successful ventures in co-operation, quite successful in that they have stood for a lengthy period of time, and are steadily and surely strengthening their position.

By Mr. Pickel:

Q. Successful as producers?—A. Of course they are producers' organizations and owned and controlled entirely by the producers in each case.

Q. They are producers themselves?—A. They are producers. That, I think, would give you reasonably well the picture of the situation on Vancouver Island. The Victoria situation at the present time is somewhat chaotic, on account of the fact that there are an extraordinarily large number of actual milk vendors, with four wholesale distributors, and a whole lot of producer vendors, some of which are very high class and well established. If there are any questiones you wish to ask, I will be glad to answer them.

The Chairman: Is the committee satisfied?

Mr. Tummon: Thank you.

The CHAIRMAN: Thank you, Mr. Hurford.

The WITNESS: Thank you, sir. I have been as brief as I possibly could.

The CHAIRMAN: We will call Mr. Gooding, president of the Saskatoon Dairy Pool.

C. T. GOODING, called and sworn.

By the Chairman:

Q. Mr. Gooding, will you give your position to the committee, please?—A. Yes. Mr. Chairman and gentlemen, I am president and general manager of the Saskatoon Dairy Pool.

Q. You have a statement?—A. Yes, I have.

Q. Very well; we will be glad to hear it, Mr. Gooding.—A. You mean a written statement?

Q. Yes, a statement to make to the committee before the committee proceed to put questions?—A. Yes.

Q. It is customary always to hear any statement that a witness is prepared to make.—A. Mr. Chairman and gentlemen, I have not an actual written statement, but I would like very much to just give you a brief outline of our concern, just before we go into facts and figures, so that you may be familiar with the work that we are doing. As I said, I am connected with the Saskatoon Dairy Pool, which is entirely a producers' concern, owned and controlled by them, very much similar to the Fraser Valley Milk Producers of which you heard the day before yesterday. We were organized for the very same reason, in the winter of 1926-27, because the members at that time were very dissatisfied with existing conditions in the milk business. They thought—either rightly or wrongly—that the private distributors were not giving them perhaps what we might call a fair shake in the amount of the consumer's dollar, in the proportion of the money that was received from the consumer's dollar. Having that in mind, many years ago, the producers organized bargaining associations and one thing and another of that nature, some of them very successful, and of course some of them were not. In the winter of 1926-27 the members of the pool got together and decided that they would go into the business for themselves. With that in mind, they realized that they would have to build up a capital structure whereby they would be able to market or rather have more control of the market of their own product. We did so under the contract basis, similar to other organizations of our nature in Western Canada, and on the 1st of April, 1927, we got under way. Our idea was not to enter the distribution field, but rather to wholesale to the distributors their full requirements of milk and table cream. We did so, realizing that the surplus question was the one great problem that was worrying us at that time, and we realize is still worrying every city in Canada. We realized that the secret of success in the milk industry was not to create extra competition by going into the distributing field ourselves, but rather to keep the surplus milk away from the whole milk market. We realized that by the individual selling as had been the practice in the years gone by, that every farmer was his own worst enemy, in that he was a competitor—one a competitor of the other. Having that in mind, we said to ourselves that the consumers of the city of Saskatoon, who are our best and only customers in the fluid milk market, could only purchase so much milk. We are prepared to sell them that amount of milk, not at a fixed price, but just at the market value, which of course is regulated from time to time, and that is all that can be sold there, irrespective of how much we would like to sell. The fact is that the city of Saskatoon can only absorb so much fluid milk, and the key of our concern is that we keep the surplus milk, that portion which cannot be sold in Saskatoon,

away from the fluid milk market. We have absolute control of that end of the situation, with the result that taking during the last year for instance, when there has been so much trouble in the fluid milk industry, I venture to suggest that perhaps Saskatoon is the only city in Canada that has not had what is so commonly called a milk war. We have had no milk war of any description, and the price of milk has not dropped below ten cents. Of course, ten cents is, I understand, the prevailing price of milk throughout Canada; but during the last year we have had all kinds of instances of milk going down to anywhere around five cents, before some remedy was found of bringing it back up to somewhere around ten cents again. So we think that it is an account of our stabilizing influence and in keeping the surplus milk away from the market we find the solution to that particular problem. So that is the reason, Mr. Chairman and gentlemen, why we organized; and just our natural set up in order to take care of the surplus milk, it was obvious that we had to manufacture it into commodities that were suitable to the district in which we lived. One, of course, is skim milk powder, a very suitable commodity for Western Canada; another, of course, is cheese; and another, of course, is butter, of these three commodities we are fairly large manufacturers. I don't know that it would interest you to-day—

By Mr. Bouchard:

Q. Any ice cream?—A. No, we don't manufacture ice cream ourselves, but we sell wholesale to the ice cream manufacturers all their requirements.

By Mr. Pickel:

Q. What about the proportion of farmers that you have who are loyal to this organization, that is, would be members of it?—A. The amount of farmers that are shipping milk to the Saskatchewan Pool are roughly 250.

By Mr. Bouchard:

Q. What is the financial structure of your organization?—A. Our financial structure?

The CHAIRMAN: I would suggest you let Mr. Gooding finish his statement, keeping your question in mind.

By Mr. Pickel:

Q. Are many farmers shipping into Saskatoon who don't belong to the pool?—A. Roughly 18 to 20 are shipping into Saskatoon who are not members of the pool.

Q. Are they distributing their own milk?—A. No, they are selling to one particular distributor, and the reason for that I will just tell you right now. We had 100 per cent control. We were the only section in Canada that had operated a 100 per cent pool. It was not compulsory, it was absolutely voluntary. We were fortunate enough in getting shippers to sign up and to have 100 per cent control over the whole of that sale in Saskatoon. Then they got after us for two reasons: one, because one shipper could not see eye to eye with us and thought he should be paid for the fluid market; another reason was that we were getting all kinds of trouble with the Combines Act. It is very very unfortunate, of course, that the consumer—and I might say perhaps some of the officials of the city itself—were very suspicious, and they asked for investigations and inquiries and all that sort of thing, as to whether or not whole milk could be sold cheaper if it were not for a certain monopoly or combine, or things of that nature, which we decided was not in the best interests of either the producer or ourselves.

Mr. Chairman, we understand thoroughly there is no use to shout from the housetops just what we might like to do, or what is the best thing to do. We must at all times realize that the consumer after all is our customer, and we must abide by their decision. And so one of the distributors in Saskatoon to-day have about 20 shippers of their own. There was a time when we had 100 per cent control; every shipper, every farmer in the district wanted to be a member of the Saskatoon dairy pool. We could not refuse them. We have had all kinds of experience in that regard, and we could not refuse them on account of the Combines Act. From time to time we said, we are sorry we have far too much milk for the city of Saskatoon and would like you to wait a little while until prices are better before you go further because that would disturb prices. We had of course to consider our pool farmers, and that is one of the reasons why it is necessary for us at this time not to have 100 per cent control. It simply is just too had for the organization, it will not develop perhaps on practical lines anyhow.

I think perhaps it would just be well to examine a few figures as to the amount of money that the producer is receiving for his product. We hear, of course, Mr. Chairman and gentlemen, much about the consumer paying 10 cents and the producer getting only two. That is the same in Saskatoon as everywhere else, and naturally the consumer and others ask that question, and the producers themselves; and it is rather unfortunate that so many people take that attitude, particularly if they are going to take an active interest in the milk industry. We have educated our members in Saskatoon to realize that 2 cents a quart and 10 cents, or $2\frac{1}{2}$ cents and 11 cents—and all that sort of thing—is only so much talk, unless it is understood. I was here the day before yesterday when Mr. Mercer gave his evidence, and it is quite clear that I shall not have to tell you about the whole milk, fluid values and surplus values. I intended to do that, but I realize it is just a duplication of what Mr. Mercer said. It will interest you to know that only 41 per cent of the milk that we handle is sold in the city of Saskatoon on the fluid market.

The CHAIRMAN: When you say fluid market, does that include cream?

The WITNESS: No, sir, whole milk. 41 per cent of our milk is sold on the fluid market at 46 cents a pound butterfat; I understand that that is exactly the same as Fraser Valley—46 cents a pound butterfat; 48 cents for the six winter months, and 44 cents for the six summer months, on an average of 46 cents over the year. The table cream is sold at 30 cents—no, it was sold at 40; and I may say that it is partly our own fault, that reducing the price 10 cents per pound butterfat. We realize now that it was wrong, and I think quite possibly we will find that that price will go back to 40 cents per pound butterfat. We felt that during the depression, particularly since times got so very bad; we found that table cream sales were dropping so badly that we decided to drop our price to the distributor so that in turn he perhaps might be able to sell more cream for us than he was able to do at 40 cents. It has not worked out that way and our sales are no better now than they were when the price was 40 cents; and so perhaps we were wrongly advised, or rather our decision was not quite correct when we decided to drop the price from 40 cents to 30 cents so that it would increase our sales. We were receiving 40 cents a pound butterfat for our cream, and the decision was entirely voluntary on our part that we would drop to 30 cents; we used our own judgment in deciding to do that when we dropped from 40 cents to 30 cents.

By Mr. Pickel:

Q. What do you class as table cream, 10 per cent?—A. Oh no.

By the Chairman:

Q. He means all kinds of table cream?—A. Our test is around 22 per cent, that is the approximate value.

By Mr. Pickel:

Q. Well, you distribute different grades of cream do you; or do you sell as a wholesaler to the distributor, and the distributor may then put it out at 10 per cent, 20 per cent or 30 per cent?—A. That is correct, the wholesalers have various kinds of cream that they sell, but our test is somewhere from 22, to 25 or 26 per cent; it has no fixed butterfat test. And so our price to-day, is 46 cents a pound butterfat for milk and 30 cents a pound butterfat for table cream —41·9 per cent of our total supply was sold on the fluid market, 16·4 per cent on the table cream market. We have full control of the balance and we feel that we have been very successful, and while not perhaps getting a very great price for the surplus, but in realizing that that is the secret of the whole story—to get the surplus milk control in one concern rather than having it in the hands of hundreds of individual shippers. We decided that we would go into the manufacture of skim milk powder, cheese and butter.

By the Chairman:

Q. Just there, Mr. Gooding, does that 30 cents per pound of butterfat include the returns from skim milk?—A. No, sir, it does not.

Q. That is an extra amount?—A. Yes. Our prices for the other commodities, which may interest you, are as follows: on this table cream market we get 30 cents per pound butterfat; the average price for churning cream averages 15 cents per pound butterfat; the average price of cheese milk that we paid our shippers was 17 cents per pound butterfat. So, gentlemen, it is quite easy to see that if you just base the percentage per quart on the fluid market—and our percentage per quart is 4.05 cents—but if you include our total supply it works out at approximately 2·27 cents per quart.

Now, of course, gentlemen, we realize that that is practically all the trouble to-day. It matters not in what city we are shouting 2 cents a quart, we really in order to understand our problem correctly should base the amount of the consumer dollar that is actually sold on the fluid market. Now, 4·05 cents per quart is not 50 per cent of the consumer dollar as we naturally would assume, considering that milk is retailing at 10 cents in Saskatoon. But, gentlemen, there again naturally I am not here on behalf of the distributor or any other manner of man. We do claim that we cannot solve our problem until we understand it—rightly or wrongly. In our early days we thought when milk was selling at 13 cents a quart—the highest was 15 cents—we overlooked the fact that we had to consider wholesale, and we had to think of the hospitals, and now during the depression we find that we must sell milk for distribution for relief purposes. So that is not correct to say that milk is being sold at ten cents. The average price per quart is somewhere between 9·30 and 9·38 cents per quart; and so of course when you consider that 4·05 cents per quart is our average price at a basis of 3·5, that our milk is sold on a basis of between 3·5 and 3·8, making, if our milk was sold at 3·8, we would have 4·35 cents per quart. The retailer sells at a basis, a butterfat basis of 3·8, but we do not always sell at 3·8, so that really the price is not 4·35 cents per quart, but it is more than 4·05 cents per quart, because we sell between 3·5 and 3·8, and the minimum is 4·05 cents per quart and the maximum is 4·35 cents per quart, and so our basis to the producer is between these two figures. That is the honest actual price that the producer gets, between 4·05 and 4·35; and having in mind the fact that milk is not sold at an average price of ten cents, it is sold more like 9½ cents, you will see that we have, even under the very depressing conditions, carried out our policy, when we said to ourselves in 1927 that we considered the producer was approximately entitled to fifty cents of the consumer's dollar.

It is true, Mr. Chairman, that we still have worlds to conquer. We are not, by any means, figuring we have reached our goal. Neither do we by any manner of means uphold the present method of distribution. That is the determining reason why we entered the business that we are in to-day. On the other hand, we set out with an objective until times changed, or rather methods of distribution changed; we said that we must try to get fifty cents of the consumer's dollar. We have been just as successful as I have tried to point out to you, since that time.

Another rather extraordinary thing is that many people think that the distributors are anxious to sell cheap milk. I don't know just what conditions are in other cities, but it is not the same in Saskatoon. We base our price entirely, roughly fifty cents on the consumer's dollar. Therefore the distributor gets 50 cents of the consumer's dollar. In 1927 when we started up, milk was retailing at 13 cents a quart. We got 6½, which is 15 cents a pound butter fat. That was our price then. The distributor also got 6½. Therefore he was not a bit interested in coming down to 12, 11 and 10, because his spread reduced to the same extent as our spread reduced. It is true that if it goes to nine cents, the distributor says he can't come with us; that is, the producer must pay their own; and for that reason it has not gone to nine cents, and the reason that it has not gone to nine cents is simply because we have a concern there—the equity of our members is $91,900, roughly $100,000. The distributors realized quite well that if the price goes too low that there is only one alternative, and that is for the pool to enter distribution itself. We don't want to do that, because our theory is, whether it is right or wrong, that we don't want to create more competition. We are particularly anxious to do what we can to see that there is less competition, and that is not solving our problem by simply going in and making more. The distributors realize that, and therefore we have, in what I might call dairy parlance, played ball together. We have been particularly fortunate in that regard. I asked the distributors the day before I left, stating that I was coming down to possibly give evidence, if they would care for me to give distribution costs, and I have some distribution costs here from the different dairies. I prefer not to mention just the actual dairies, but if you wish that information, gentlemen, I will be glad to give it to you. Also, I might say just for your information, the retail price of the commodities that we sell to-day is 10 cents for fluid milk, nine cents for relief; and then of course we have the wholesaler; that is the hotel man or wholesaler around town that still gets a discount under 10 cents a quart, depending entirely how he buys, whether he buys by the bottle or the can.

By Mr. Pickel:

Q. Are the stores distributing?—A. No, we have no chain store distribution; but when you say distributing, the corner store and so on, they do sell milk from the distributors. The distributors just leave milk at the stores the same as they leave it at the householders. But the chain stores, as I would interpret what you mean—we will take the Winnipeg situation for instance—we have not that condition in Saskatoon.

The table cream is selling at 30 cents a quart, and 20 cents a pint and 10 cents for a half pint. Whipping cream is sold at 50 cents a quart, 30 a pint, and 15 cents for a half pint. We realize that there is a terrific spread between the 30 cents a pound butter fat and the price which I have given to you, and it is too great. I am quite prepared to admit that. We hope some day to be able to lessen that spread for the producer. On the other hand, table cream sales of this nature that I have just read to you are so very low on account of conditions in the west, and perhaps everywhere the same for that matter, that the return from their wagons—they take out so many units of these various types

of cream, and they bring back half of them, and that is, of course, our trouble. Then they can't sell it the next day. They must just put it into the churn at the prevailing churning cream price, and so their spread on the face of it is nothing quite as great as would appear. On the other hand, gentlemen, there is no question but what the spread is far too great; and under normal conditions, I am quite satisfied would not exist.

By Mr. Porteous:

Q. What percentage is table cream and whipping cream?—A. Do they sell?

Q. Yes.—A. I am sorry I could not answer that question. There is very little whipping cream sold these days.

By Mr. Taylor:

Q. Your revenues from the powdered skim milk should take care of the reduction of price in the cream, would it not?—A. Yes, in a way it does. On the other hand, of course we don't mix the two. We feel that table cream in the city of Saskatoon, and all others in the milk industry as a whole, should be based on fluid prices, and not on churning cream prices. That is a fault that has happened all over Canada. The distributors as I understand it, they base table cream prices on churning values. We don't allow that in Saskatoon, and I think the Fraser Valley producers base table cream on fluid values and not on churning values.

Q. You would have skim milk from your table cream?—A. That is where we get it from, that is from separation of the table cream, yes, sir.

By Mr. Pickel:

Q. What is your financial set-up, capitalization?—A. Well, we have no capital. We are rather an extraordinary concern.

Q. What are your assets?—A. Our assets—the members' equity is $100,000. Our assets at the present time, at the end of March—

By Mr. Bouchard:

Q. That is paid up capital or just subscribed?—A. Subscribed.

Q. Subscribed?—A. Yes. Our total assets to-day, $178,198.62.

By Mr. Pickel:

Q. Does that include your whole plant, your manufacturing, your churning?—A. Yes.

Q. Your cheese making?—A. Yes.

Q. And your milk powder?—A. Yes.

Q. And everything?—A. Yes.

By the Chairman:

Q. Are your stocks included in that, stocks of milk, cheese?—A. Our stocks, quite correct. The members' equity is $99,000 odd—it is so nearly $100,000—

By Mr. Tummon:

Q. Approximately $100,000?—A. $99,161. How we get our capital is as follows, gentlemen: The milk shipper is deducted a five per cent reserve from the total value of his milk shipped. That is how it is done. When we started up we hadn't a dollar. We said to ourselves, "Here, we have got to organize this pool—as it was of course commonly called and is still—the way to do it is for all of us to chip in $10 apiece," so we put $10 apiece in the hat. We went over to a

solicitor, and we said, 'Here, we want you to organize a pool." There was roughly one hundred just at that time; we didn't get them all in, just about one hundred. At $10 apiece, that naturally made $1,000. We went over to a solicitor and we said, "Here is $1,000; we want you to organize a pool." And a few of us got together, and along with this solicitor we decided to organize. This was the first of April, 1927. We deducted five per cent of the milk shippers' total receipts as a reserve.

By Mr. Pickel:

Q. What is you reserve now?—A. That is it, $99,161.

By Mr. Bouchard:

Q. When a new member is coming in, how do you do? Is he accepted just for $10 as the previous one?—A. Yes, absolutely.

Q. But he has not contributed to the reserve?—A. He will do, the moment he ships.

Q. Yes, but you have built up first; they invested their money?—A. Yes.

Q. They have built up something which is worth something, and the new-comers are accepted at that?—A. Yes.

By the Chairman:

Q. I suppose, Mr. Gooding, that on the equity which each member has in there, they pay interest?—A. No, we don't pay interest, no sir.

Q. No dividends on the equity that he has?—A. No, no dividends at all, except this, that if a member quits the pool he gets his money out; we have never held any member's money. That is of course, different to most other concerns.

By Mr. Pickel:

Q. He is paid what he has contributed?—A. Yes, absolutely.

By Mr. Tummon:

Q. There is no share value?—A. None whatever.

By Mr. Porteous:

Q. Your patent is taken out on a cooperative basis?—A. Yes.

Q. Not a joint stock.—A. No, sir. That is why we do not pay interest. We say to our members, as long as you are active members of this concern, then your money is being taken care of, or rather your investment is used for your protection, and as soon as you quit dealing with us, then here is your money. And, of course, they have always paid the amount. We do not pay them in cash. Suppose they have $400 or $500 in. We do not pay them $400 or $500 in cash, but we do pay them over a period of a year or so, as the Board of Directors decide.

By Mr. Pickel:

Q. Did you have much opposition, Mr. Gooding, when this venture was first started, from the distributors?—A. Terrible, sir, terrible. I think perhaps, we put up the greatest fight—however, now we get together, and we understand each other more; but at the beginning, we did get very terrible opposition, not from Saskatoon only, but from Montreal to Vancouver. The private interests, naturally, do not, gentlemen, like to see the farmer invest his money. Before it was a protection association for years. We were a bargaining association. We could meet the distributors, and if we could not get the price, we would strike. We got over that years ago. We said it was the only way to do this; that if we were not satisfied with the deal we were getting from distributors, to endeavour to do it ourselves. That is what we are doing.

By the Chairman:

Q. You are not a distributor of milk?—A. No, sir.

Q. What would happen in case you could not come to an agreement in regard to prices with the distributors?—A. Well, we have a plant that is equipped, even with a hole in the door, ready to sell milk.

By Mr. Tummon:

Q. A pasteurization plant?—A. Yes, we have all the equipment necessary. Of course, we would have to buy a car of bottles, as we have not invested in actual bottles.

Q. How many shippers did you say you control?—A. We control all of them, that is, we control around 250, approximately 250 in Saskatoon. Our membership is around 250. When we say 250, perhaps you will find in two or three weeks there will be about 230 to 240, but the ordinary number of shippers is 250.

By the Chairman:

Q. In what radius?—A. A 60 mile radius.

By Mr. Tummon:

Q. Then, in that district there are 13 or 14 not connected with your pool?—A. That is exactly right.

Q. That you say, to the Chairman, constitutes the shipping district, approximately?—A. A 60 mile area.

By the Chairman:

Q. Sixty mile radius?—A. Yes.

By Mr. Tummon:

Q. That practically covers a unit—A. That is what is commonly termed the milkshed.

Q. The milkshed?—A. Yes. The city of Saskatoon decided that; that not much milk comes into Saskatoon from outside a radius of 60 miles.

By Mr. Taylor:

Q. Do you pasteurize your own milk?—A. No, sir, we don't—pasteurized, yes.

Q. The distributors pasteurize the milk?—A. Yes, and that is our protection. In regard to Mr. Chairman's question, we are all ready to act. Of course, we have quite a large-sized factory there in regard to our cheese and butter, and milk powder and all the rest of it; and we have our milk department, an actual plant and cold storage, and our milk room, which is being used for other purposes right now. But we have the plant there ready to act, if we cannot make a deal with the distributors, and all we would have to do would be to open the door and distribute it ourselves, and, of course, Mr. distributor realizes that.

By Mr. Tummon:

Q. Does not the fact that the city of Saskatoon set a milkshed area answer the question as to why the chain stores of Saskatoon are not selling milk and making it a leader?—A. Well, sir, in a way, yes. We have compulsory pasteurization, and it is correct that compulsory pasteurization helps the dairy industry. Of course, it only helps them to a point. We get terrific opposition from a certain attitude of the consumer against city health laws.

By the Chairman:

Q. How does it help, is it because it eliminates competition, is that the idea?—A. You mean the 60 mile radius?

Q. No, pasteurization?—A. No, sir, but it is in a way. You see, so far as we are concerned, the health regulations and the preparing of milk for market should not be mixed up. It is true that the distributors of milk throughout the country say "We want city compulsory pasteurization." Why? For the health of the citizens, or for their own protection? That is the great question, and obviously the consumers in Saskatoon and the council of the various bodies say, "You fellows are making a joke of the health laws, not because you care a hoot about the city of Saskatoon, you just want protection for your industry." And so it really should not be mixed together at all, it cannot be The fact is, Mr. Chairman, that 60 mile area, or any other area subscribed by the city, is undoubtedly a help to the industry. It is a help also to the producer if he does not compete one against the other; but it makes no difference whether it is a 10 mile area or a 100 mile area if the individual would insist upon breaking that market, the 60 mile area or any other natural milkshed is of no avail to stabilize the fluid market.

By the Chairman:

Q. How does the city get authority to establish that area?—A. Well, sir, you mean whether it is ultra vires or not?

Q. Yes.—A. I cannot tell you. We have been arguing that, whether it is or not.

By Mr. Tummon:

Q. Coming back to that point in regard to chain stores, it would look to me as if you had in that 60 mile area around Saskatoon, all the shippers with the exception of 13 or 14?—A. Yes.

Q. And if it is a complete organization working in co-operation with the distributing companies, the chain stores cannot get their milk?—A. I mean to say the chain stores have been dickering for milk in Saskatoon the same as in other places, but the distributors have not encouraged them, naturally, and neither have we. The manager of one of the chain stores in Saskatoon, came over to see me about six months ago and said "We are going into the milk business; we want milk." I said, "If you want milk, we are able to supply it to you at the ordinary prices." He asked the price, and I said, "The same as the distributors, 46 cents a pound butterfat." He said, "Why man, you know the farmer is getting only 2 cents a quart"—the same old story you hear all over the country—"we can surely buy milk cheaper than that, and the farmers are only getting 2 cents and the consumer is paying 11." I said "Of course, that is not so. On the other hand, our price is 46 cents, and if you can get it cheaper than that, we would like to see you try." He did not. We have not had any trouble from the chain stores, none whatever. I might say also, gentlemen, that there is a big firm—perhaps I should not mention the name—who wanted also to come into Saskatoon. They wrote to the Secretary of the Board of Trade, and they decided, after getting information from the Board of Trade that they would not locate in Saskatoon. I know quite well, but I would not like this to be published, that they wanted to come in, and the reason they did not come into Saskatoon is because of the highly organized milk producer.

By the Chairman:

Q. Mr. Gooding, the feature of your evidence that interests me more than any other is the fact that you have to a certain extent created a monopoly there. I do not mean that in criticism, but I want to elucidate it, if possible.

I want to base a question on that remark. If the consumer should be dissatisfied with the price that is created, does he ever use substitutes?—A. The consumer?

Q. Yes.—A. No, sir.

Q. The reason I ask that question is this I was told not long ago that the consumers in Saskatoon were using a very large proportion, or more than the ordinary proportion of powder and evaporated milk, and substitutes?—A. No, sir, that is not correct. As a matter of fact, the per capita consumption of milk in Saskatoon is three quarters of a pint. You may think that is very low, but I understand a half pint is the average for the Dominion. I am not sure, but that is how I understand it, three quarters of a pint in Saskatoon.

Q. You have no evidence in regard to that?—A. No, sir, beyond the fact that the milk that is sold in Saskatoon to-day is quite normal; it is in proportion to the consumption in 1927 when milk sold at 13 cents a quart, the same thing exactly. True enough, condensed milk is sold, naturally, but not out of proportion to any other city, no, sir.

By Mr. Bouchard:

Q. What is the relationship between the Board of Health of the city and the producer of milk; is there any inspection?—A. Yes, sir. Every shipper must be a licensed shipper. Again, it is a question whether it is ultra vires or not. I am more or less inclined to believe it is. We as producers, believe it is none of our business. We say if the city health department were to give out a licence to me to licence my barn and my cattle, I have to pay a dollar for licence, and I must do so in order to ship milk—

By Mr. Porteous:

Q. Who collects it?—A. The pool collected it from the producer, and we pass it on once a year to the city. I may say gentlemen, I realize that you perhaps think that we had a monopoly or something like that, but really it is not so. We did have, with the Combines Act, a terrible worry. It cost us no amount of worry. We were just ready to blow sky-high, if we had not been very careful, if we did have 100 per cent milk control, not because it is not sound—gentlemen I can assure you it is the soundest thing in the world. But it is just too bad if we blow up $100,000 simply because we realize the Combines Act is there, and it is understood to interpret a certain idea, and that is that. We cannot help that. It is just too bad, but that is all we could say about it. But I can say this; we had an iron-bound contract with the distributors when we started. To-day we have a little letter saying we will buy their supply from them for the ensuing year; that is all. I venture to suggest in two years from now, perhaps three years from now, if conditions carry on the same as they are now—I cannot tell—if things are just as normal as they are to-day, we won't have anything at all. If some unorganized farmer, can come to the city of Saskatoon and sell milk at a certain price, then, we must sell it at that price. In other words we come to this stage where we can sell milk at the same price as any unorganized farmer that ever lived; therefore he does not get the business. When we sell skim milk products to you people in Ontario, we sell it at a competitive price. If we do not do that, we do not get the business, and it is the same argument exactly, that we use in Saskatoon to-day, exactly the same thing. We are selling the milk to all distributors. We have nothing iron-clad, Mr. Chairman, which is called a monopoly; there is nothing iron-clad about it. Any one has the same opportunity to sell milk to the distributor, if he can get the business, but we have it and we are sure going to hang on to it, from a purely competitive point of view.

By Hon. Mr. Motherwell:

Q. Do the patrons of your pool come all from out of the T.B. restricted area?—A. Yes, sir.

Q. How do those farmers that are outside the pool dispose of their goods, direct to the consumer or through a distributing company?—A. Well, as I said before, there are only about 15 or 16—

Q. Eighteen.—A. About 18 who are outside the pool, and they sell direct to the distributor, and they lose 6 cents a pound butterfat, get 6 cents a pound butterfat less than we do. Our average price for the year is 46 cents, and this particular firm pays 40 cents.

Q. I suppose they will get rid of all theirs?—A. That is correct; that is the unfair part of it. They get 40 cents on all their milk and we get 46 cents for 41 per cent of ours. And that is why, of course, we must be very good competitors even though we are co-operative.

Q. Is there a tendency for any of them to leave the pool and join those 15?—A. No sir, the other way around. It works this way. We have never turned a man down. We take care of all his milk irrespective of how much he ships. This particular firm will have about 15 shippers, 20, and when their production is at its height, they cut off 2 or 3 with the result they get 40 cents a pound butterfat for a period for all their milk as long as it is distributed, but he does not know how long it will last. On many occasions they have come over to us and said, "We would like to come in with your fellows, where you can take care of our milk all the year round, and we are quite prepared to get the average price for it, and not allowed to be shipping milk one day and back the next, and back again some other time in the year, and back up again some other time." It is not working out to their interest. On the other hand, we are quite satisfied. We realize the Combines Act is there, and it covers almost everything.

Q. Those 18 shippers, or whatever number it is, give a sense of security to the customers that there is not a combine.—A. Yes, that is correct.

Q. On the other hand, it gives your company or pool a feeling, if you like—A. Yes, that is correct.

Q. —that you are not trying to hog everything?—A. Yes.

Q. Do you think if you had 100 per cent registration it would be satisfactory to all? Do you think it would be satisfactory to your customer, irrespective of the Combines Act?—A. To our producer, yes, but to our customer—

Q. I mean the consumer.—A. Well, to the consumer? I must quite frankly admit that unless we have some support from perhaps outside sources to educate the consumer that he was not getting licked, I would prefer not to have it.

Q. Yes?—A. Yes, sir, for that one reason. I may just as well say quite frankly, gentlemen,—I suppose it is the same in every other city, but in Saskatoon the milk problem is a real political football. Milk always has been, and always will be. I do not know whether it is the case in other cities, but we have always one or two aldermen getting up—

Q. You mean municipal politics?—A. Yes. They get up every fall and tell the people that they are the champions of cheap milk; that there is a monopoly. And of course they get elected. That is that, sir. I doubt very much whether a combine of that type is wonderfully helpful. I want to go on record as supporting the idea of 100 per cent, because I know the value of it to the district. The consumer of course, does not quite like it, not in that way.

By the Chairman:

Q. Do these politicians keep their promises like all the rest of them?

By Mr. Motherwell:

Q. I think over a sufficiently long period in which to educate the consumer to establish a community interest it would develop?—A. Quite correct.

Q. But at the present time you cannot have it?—A. Yes.

Q. Under present conditions?—A. We have tried. In Saskatoon we have tried along with the organization. We have tried with the Ratepayer's Association, and the local council of women and various organizations of that nature. We have asked them and tried to educate them. We are prepared to have a committee representative of the consumers along with ourselves to regulate prices in the event of one concern handling the whole commodity. And the local council of women have been very sympathetic. We have of course, labour organizations that just do not know what it is all about, and they are a little suspicious.

By Mr. Bouchard:

Q. It was never suggested that co-operation as it is in existence in England should be worked out with the consumer and your pool establishing a fair price? That was never suggested?—A. What is that question?

Q. It was never suggested that the co-operation of the consumer should be organized?—A. No.

Q. In order to take care—A. No, sir; we have never suggested that. We have simply told the consumer in Saskatoon—

Q. It is not your business?—A. No.

Q. It is more the consumer's business?—A. That is correct. That has been our answer when this matter of combine has been raised. We are quite prepared to have a representative of various consuming bodies meet the committee; that is to say, they could tell the consuming public whether we are unfair or whether we are not.

Q. Now, I understand that you pay according to the strict butterfat basis?—A. Yes.

Q. Supposing you have an overflow of milk in the summer and in the wintertime you have less milk, how do you take care of it? Do you take the whole production of the producer? What about the man who will produce a big flow of milk in the summer, and in the winter will be working on a higher cost basis, perhaps, to produce a bigger supply of milk? Don't you think that if you pay an average price to the producer you discriminate against the one who goes to the expense of working out the production of milk when milk is scarce in the wintertime?—A. Yes. I can answer that this way: that we pay 48 cents in the winter, and 44 in the summer, or an average of 46 cents. The reason we pay four cents more in those winter months, is to encourage that very thing you suggest, that is, winter production; and the farmer that ships the majority in the winter time gets 48 cents a pound butterfat for the fluid market milk, which is the most valuable in the milk market.

By the Chairman:

Q. And 4 cents is enough to induce him to do that?—A. Under the present conditions, yes. You see, when milk was selling at 13 cents, and the average price was 75 cents for butterfat, the spread was greater. There is one other factor there as well sir, and that is this, cheese prices and butter prices always have been, since I have been in business, lower in the summer than in the winter, so the milk producer in the winter months has a higher price for fluid milk, and also a higher price for cheese and butter. The net check is always higher from October to February than it is from March to the following October.

By Mr. Tummon:

Q. Would the greater proportion of the flow go into the fluid market in the wintertime?—A. Yes.

By Mr. Pickel:

Q. What is the total amount of your milk handled?—A. We handle around 1,000,000 pounds of milk every two weeks, that is 2,000,000 pounds a month.

By the Chairman:

Q. Your establishment, Mr. Gooding, is large enough, of course, so that you never have a shortage?—A. No.

Q. What is the population of Saskatoon?—A. Well, they tell us it is 45,000, Mr. Chairman, but I think 40,000 would more or less hit the mark.

Q. Would it be possible in a city the size of Toronto or Montreal, where there are 700,000 or 800,000 or 1,000,000 people, to establish a shed in which there would not be a shortage of milk?—A. Yes, absolutely.

Q. What about transportation? It would cover quite an area, would it not; if you need a radius of 60 miles to furnish a population of 45,000, what would you say about 700,000 or 800,000?

Mr. PICKEL: It is more thickly settled.

The WITNESS: I may say this: we can get enough milk within 10 miles of Saskatoon for all our requirements. The city have decided that 60 miles is the radius.

By the Chairman:

Q. Would it not be better in the interests of your pool to shorten up that radius, and then you would sell a larger proportion of fluid milk and thereby derive a better return?—A. We can only sell so much milk, Mr. Chairman.

Q. If you had a smaller area there would be less of the milk then turned into other sources?—A. Well sir, it is very doubtful how that would work. Of course, it is not exactly our competition; but it does not matter how small the area if you must have simple iron-bound laws to say that a man cannot cross a line and you must not ship milk, if you do you will be put in jail. If you did that, possibly it would help, but nothing short of that would. We are not particularly interested in any particular area. We realize this cheese-milk and the cheese-butter, not only in our own country—in Ontario, it is more vital—will butt in on the whole milk market. They undoubtedly will so long as the price of cheese-milk is where it is to-day, and the price of fluid milk is where it is to-day. They are bound to do that.

Q. It depends on the control?—A. Yes, sir; the whole structure must be controlled. There is only ourselves making cheese in Saskatchewan in the wintertime. There are a few others in the summer. We had a meeting down here yesterday, and they told me that the average of cheese put out in Ontario is around 80,000 or 90,000 pounds, but we will be well over 300,000 pounds ourselves in the one factory this year, and they have 700 of them down in Ontario, and their average is around 80,000 or 90,000 pounds.

By Hon. Mr. Motherwell:

Q. What percentage are you short of a 100 per cent pool?—A. Just those 18 shippers.

Q. What percentage does that make?—A. Eighteen from 250.

Q. What percentage of those who are outside of the pool does that bear to the total?—A. We only have 250 milk shippers. We have 2,000—

Q. That would be about 8 per cent?—A. About 8 per cent.

By Mr. Tummon:

Q. Of course, in your comparison of the making of cheese in the two provinces, transportation charges must be taken into consideration?—A. That is correct, sir; but you must have the fluid milk market to hold your price up so that you can bring in that other milk from long distances and take care of the transportation and pool all your market so that your average price is sufficient for the farmer to stay in business.

Q. In our district, for example, in connection with cheese factories the flow of milk to each factory comes in from a radius of a couple of miles?—A. Our average price to the shipper this year is between 30 and 35 cents a pound butterfat.

By Mr. Bouchard:

Q. Taking your cream as cream, do you get it out of fluid milk?—A. We have 250 milk members. I have simply told you our milk section. We have two sections in our pool—the milk section and the cream section. We have about 1,800 cream shippers and 250 milk shippers. Now, it is the milk shippers I have been talking to you about this morning.

Q. I would like to hear about the cream?—A. As far as the cream shipper is concerned, unfortunately, there is not very much to tell in the way of profits, because we have been in the cream business for the last three years, and, of course, prices have gone all to pieces; but we are very fortunate in this regard that our volume of cream is greater to-day than it was a year ago. That, I think, shows that our pool—

Q. They are not members of your organization?—A. Oh, yes, they are, absolutely; contract signers the same as the milk shippers.

Q. It is just one organization? It increases the number of your organization. How many members have you got including the cream and milk shippers? —A. Just the one organization, but two sections, the milk shippers section and the cream shippers section.

By the Chairman:

Q. Is that sweet cream or churned cream?—A. Churning cream. That is a pure churned cream section.

By Mr. Bouchard:

Q. Is your fluid milk not the source of your fluid cream? Do you separate that from the milk itself?—A. Yes.

Q. And what do you do with the skimmed milk?—A. Powder it.

Q. What is the value of skimmed milk?—A. To the producer?

Q. Yes.—A. Well, sir, that is operating costs, but I am prepared to tell you—it is purely an operation cost.

Q. Something like 10 cents a hundred pounds?—A. Oh, yes; more than that.

Q. You are aware of the fact that in some cities the skim milk is just going into the sewers?—A. Yes. That is correct; but ours, of course, is not.

By Mr. Tummon:

Q. In the manufacture of your cheese do you dispose of the whey?—A. Yes. We sell it all.

Q. How do you handle it? What I am getting at is: your shippers are so far away that you cannot return it?—A. Yes. We sell it to two men that are in partnership in the hog business right outside Saskatoon.

By Mr. Porteous:

Q. You skim it first?—A. No, sir; we do not.

By Mr. Tummon:

Q. Would it be fair to ask you about what you realize for that whey per 100 pounds?—A. Well, sir, I have never figured that out. We make three vats of cheese a day, 75 gallon vats, and that is a lot of whey. I would not say we make three vats of cheese all the year around, but we get $750 a year for the whey. Just what that means a pound I have never figured out.

Q. It is pretty cheap?—A. Awfully cheap.

By Mr. Porteous:

Q. From the fluid milk standpoint, would you say that the secret of your success has been the keeping of that surplus off the market?—A. Absolutely.

Q. In your opinion, through co-operative effort, could not that be done in any locality?—A. Yes. I am absolutely satisfied that it can.

By the Chairman:

Q. How do you distinguish between fluid milk shippers and your sour cream shippers. Is that arranged by considering the sanitary conditions of the farm? —A. Yes.

Q. Altogether?—A. Yes. The city have them licensed. Their channels of milk must be licensed dairymen. The cream shipper does not. That is according to the city regulations.

By Mr. Taylor:

Q. With regard to the returns for 100 pounds of skim milk, how much would you realize on the powdered milk?—A. Well, sir, I do not know how to answer that question.

Mr. Pickel: It is a trade secret?

The Witness: Yes. I am not particularly anxious that we should be telling our cost of manufacture and production. If I must, I certainly will.

By Mr. Loucks:

Q. How do you charge for this powdered milk? A number of the farmers do take it back?—A. Yes.

Q. And what does it cost them?—A. We sell it back to our farmers at $5.25 per 100 pounds.

Q. The powder?—A. Yes. In 100 pound sacks. It has been as low as $4.75. The skim milk market, of course, fluctuates the same as any other market, and we have sold it back to our farmers at $4.75. Right to-day it is $5.25. That is not the price we sell to the trade. The members have that privilege.

By Mr. Taylor:

Q. How much powder would you get from a hundredweight of milk?—A. Roughly 8½ to 9 pounds of powder from 100 pounds of milk.

Q. The reason I asked you that question was that I questioned you a while ago with regard to sweet cream and you said you were selling it too cheaply. If you have this powdered milk I was trying to get the basis at which you figure that?—A. Yes.

By Mr. Porteous:

Q. With reference to profits—all those profits that accrue go back to the patrons, do they not?—A. Absolutely. We have returned the skim milk powder dividends—bonuses we prefer to call them—from time to time. We did not

last year on account of our making an investment in a certain piece of property. We have not realized yet on that property, and until we do, last year's profits on milk powder—credits on milk powder will not be distributed.

By Mr. Bouchard:

Q. Are they in proportion with the amount of milk that was contributed?—A. Absolutely, yes.

By Mr. Weir:

Q. You say there are between 1,600 and 1,800 cream shippers within the same radius?—A. We have 1,800 cream shippers and 250 milk shippers.

Q. Are the 1,800 within the 60-mile radius?—A. No, sir; cream can come from any area.

By Mr. Tummon:

Q. The city deals only with fluid milk?—A. The city deals only with fluid milk.

By Mr. Bouchard:

Q. Are the cream shippers not submitted to any regulation by the Board of Health?—A. No, sir.

Q. None whatever. Don't you think it would be a good recommendation to have the provincial government take care of that to get rid of this system supported by the friends of the pasteurization people?

By the Chairman:

Q. Suppose another 250 of these cream shippers should qualify for the fluid milk market, what effect would that have?—A. If 250—

Q. If another 250 shippers should qualify?—A. Yes, that is correct. If another 250 qualified for the whole milk market they would have one of two things to do—mind you the city Board of Health, they go out and inspect any dairyman or any farmer when he asks to be inspected; they do not say no; they say yes, irrespective of whether they want the milk or not. They go out and inspect the extra 250 which the chairman is speaking of, and if they all live up to regulations they get a licence. That means that there are 250 more licensed shippers, and the next chap is after a market to sell milk.

Q. You could not refuse to take them into your organization?—A. We can now, because we have these other 15 that are shipping to the other distributors. Before we were stuck tight.

By Mr. Tummon:

Q. You have got it down pretty well?—A. Yes. Before we were stuck. It simply meant we had 500 instead of 250.

The committee rose at 1 o'clock to resume at 3.30 p.m.

The Committee resumed at 3.30 p.m.

The CHAIRMAN: I shall now call Mr. Love.

J. R. LOVE called and sworn.

The CHAIRMAN: Mr. Love, I understand, is a member of the Alberta Legislature, and also connected with the Alberta Pool or the Alberta Milk Producers.

By the Chairman:

Q. What is your position Mr. Love, with the organization?—A. I am a member of the Northern Alberta Dairy Pool Limited, of Edmonton.

Q. You are going to give us a statement, are you, first?—A. Mr. Chairman and gentlemen, I have listened with a great deal of interest to the officials and executives of our western co-operative dairy organizations. I am sorry I cannot come to you and speak to you as an executive or as an official that understands all the inner workings of the dairy business. The point of view I should like to place before this committee is the point of view of the ordinary member, the producer, and to try to give to you the information that you desire in regard to whether our cream or milk producers are getting a fair return for the products they are delivering through our organization.

Mr. Chairman, I know that the committee like me to get to the point, and I shall try to review briefly the type of organization I am representing. We are quite different from any of the organizations that you have had represented this week before your committee. The set-up of our organization is what I presume some might call the Danish system. It is a non-capital stock type of organization. It is based on purely a contract, a member's agreement with his association, which is very rigid and binding over a period of years. Perhaps to give you some comprehension of what is involved when a member joins our organization I might refer to some of the clauses in our agreement, and if you wish, I shall file the agreement with the committee.

The CHAIRMAN: You will file the agreement; thank you.

The WITNESS: Now, the committee is primarily interested, I understand, in the fluid milk situation.

By Mr. Bouchard:

Q. Including cream.—A. Including cream. Here is how we, as members, are tied up to our organization. The pool, which is the association, agrees to receive and take delivery of the milk and (or) cream delivered to it by the producer; to handle, transport and market all or any thereof as fluid milk products or by-products, all within its discretion and in whatever way and at such time and place as the pool shall, in its judgment, determine to be to the best advantage of all the producers who have signed this agreement or any agreement similar in terms. Therefore we have, by becoming a member of this organization, forgone any opportunity of taking advantage of the fluid milk market, except when our organization through its management may permit any of us to do so. Now, in the organization, fluid cream and milk shall be pooled separately, and will be kept in separate funds all the way through the different processes through which they pass. The pool reserves the right to notify and require the producer from time to time and, in the absolute discretion of the pool, to deliver its product to the pool either as cream or fluid milk or in a designated percentage of each, and the producer covenants and agrees to deliver his milk and (or) cream in accordance with such notice and requirement. Out of the product there are various funds set aside, up to two cents per pound of butterfat and up to six per cent of the other products handled, to create a commercial reserve, to set up a reserve for the purchase and payment of our plant, and for any other purpose that the board may see fit to use that fund for. We sign this contract for a period of five years. It is automatically renewed for a further five year period, unless during the six months prior to the date when this contract would otherwise expire, either party gives notice to the other of his desire to withdraw. So unless we are on the job, and take advantage of the opportunity within six months before the end of each five year period, we are practically tied up for life, or as long as we are in the business.

By the Chairman:

Q. Has the validity of that ever been questioned?—A. It has never been questioned. It has never gone before the courts. I think we have obtained the very best legal advice and assistance in drawing up this contract, and it has never been contested in the courts.

By Mr. Pickel:

Q. What town do you come from?—A. I come from Edmonton. The headquarters of our organization is in Edmonton.

By the Chairman:

Q. What happens if a member gives up farming entirely? Is there provision there to release him?—A. The association may release him then. If a man ceases to produce, the association would naturally exercise its right to cancel his agreement, if he does not do it himself.

Q. You would not hold any man that went in on the same farm that he is on?—A. No.

By Mr. Pickel:

Q. Your head office is in Edmonton?—A. Edmonton, Alberta.

Q. Have you subsidiaries around in other different towns?—A. Now, I will give you some idea of the organization, how it functions. The Northern Alberta Dairy Pool operates in what might be termed the northern part of Alberta, with Edmonton as its centre. We have two sister organizations that work on the same plan, but yet are entirely separate, separately incorporated, operate and are responsible entirely to their own respective members, one at Alix, which manufactures butter only, and serves the central part of Alberta, known as the Central Alberta Dairy Pool; and the Southern Alberta Dairy Pool with its headquarters in Calgary, serving the southern part of the province. I might say that the difference between the southern unit and the unit that I represent and am a member of, is that the southern unit have separately incorporatd their milk section and their cream section. The Southern Alberta Dairy Pool manufactures butter; the Calgary and District Milk Producers Association is in the milk distributing business; the Northern Alberta Dairy Pool is in all the different branches of the industry right from the barn through to the consumer's doorstep. We manufacture primarily butter, and we started our organization in 1928. At the end of that year we had a membership of 847 who had signed the agreement. At the beginning of this year we had a membership of 3,059 who had signed this agreement; and it may be of interest to the committee to know that on account of hard times we have not employed an agent of any kind to solicit memberships in the country. We spend practically no money in trying to get more members, but what we have done, we have said to the producers by and large, "Ship to us; if you are satisfied, sign our contract and obtain your share of the profits we can show you." The result of that, owing to the satisfaction that we have given, is that 289 signed up last year in reply to that invitation to become members. The earnings of our organization are distributed and accredited only to members. The non-member can get the market price of cream, because we pay the daily market price, the same as he can get from a private company, but the only way he can participate in the dividends is by signing the agreement.

By Mr. Bouchard:

Q. Do you call this a dividend or just a return, an apportioning?—A. I presume that in this organization there are no such things as profits. If you will read that agreement, it will say that where we are to transport, handle, process, and market the farmers' product, we shall deduct expenses and return to him the balance.

Q. You just apportion the benefits?—A. That is it.

Q. According to the quantity of milk that they supply?—A. Yes. I think a fair interpretation of that dividend question is that the initial price we pay to-day for cream or for milk is the first payment, and the final payment is made at the end of the year's business.

Q. Exactly; I prefer that.—A. I think that gives a better interpretation of what it is. We started as a cream producers' organization, the centralizer type of course, drawing cream 150; as far as 175 miles I presume in some cases. Edmonton is quite different from Saskatoon. You will remember that milk in Saskatoon was within sixty miles radius; but in Edmonton it comes within fifteen miles radius, and not more than twenty miles radius of the city; and therefore, having obtained members close in to Edmonton, the demand at our annual meetings slowly but surely pressed the board to go into the fluid milk business; and in 1930, in January, we started in the fluid milk business. Up until that time there was only one large distributor of fluid milk. When we entered the business the second really large distributor also entered, and to-day there are three of what you would call large sized distributors, who pasteurize and deliver milk to the consumer. In addition, we have one very large private distributor who does pasteurizing. He has a very large herd, and it is a family proposition. He owns his cows and pasteurizes and distributes his milk. Then, of course, as you all know where you have not the favourable situation that you heard about in Saskatoon, the compulsory pasteurization by-law—we have not got that, and we have therefore a great number of independent small peddlers distributing raw milk throughout the city. I can't give you any idea of the proportion of the total fluid milk distributed by these independent peddlers.

Now, in 1930, we started into the fluid milk business.

By Mr. Bouchard:

Q. How did you get your money, first?—A. Very good. I am glad you asked that, because I think it is necessary to deal with that before we go into our business. Our financial set-up—in studying the Danish system, you will recall that they have also, in addition to co-operative marketing associations, co-operative banks. When the farmer signs up practically a life contract to deliver to an association, there is fairly good security to the co-operative bank to supply funds to give him his creamery plant. We have not that happy situation in Alberta. We went to the banks with these hard and binding contracts, but the banks said, "We don't operate in Canada on the Danish system, but if your government that was very generous in helping the wheat pool to start, would give you a guarantee that they will stand behind you, then we will give you credit as required." So the legislature of Alberta passed the Co-operative Marketing Act of some five years ago, in which the legislature, the government, was able to extend the same credit to dairy co-operative marketing organizations that was given to the wheat pool when it started business.

By the Chairman:

Q. Was it regulatory as well under the Co-operative Marketing Act?—A. The regulations under the act are very definite. The association—

Q. If you would rather continue, all right.—A. No, I would like to answer that. I think it is important. The association must first of all put up 10 per cent of the amount of capital required to build its plant, from its own resources. The government will guarantee the bank the remaining 90 per cent; and then the act requires that a certain percentage of that shall be repaid year by year. The maximum number of years, I think, is twenty; but we are hoping that we won't need many years to repay our loan.

Now, the progress we have made on that account, dealing with the finances; we have a plant now, an investment in plant of $217,437.52. Would you care to have me analyze that to show how it is made up?

Mr. Pickel: Yes, if you please.

The WITNESS: The real estate takes $12,433.90. We put a well down at a cost of $1,568.08. We were at the end of a spur, and required an additional spur into our premises which cost $302.58. Now, our creamery building which houses the creamery and the milk department as well, is an investment of $93,886.08. We have in the last year, at the request of our membership, undertaken to handle eggs and poultry; and we have a very modest building alongside of our premises, costing $11,101.32 for the poultry building. Machinery and equipment, including creamery and milk equipment, $82,430.16. Horses and horse equipment, $4,714.33. Wagons and sleighs, $8,464.15. Mr. Chairman, I say to the reporters that I will be glad to present this statement, so that they can get these figures.

By Mr. Pickel:

Q. You might just tell the committee how many horses, sleighs and teams you have on the road?—A. I want to say right here is where the difficulty arises for an ordinary member answering some of the questions I thought might be raised, and what I did—I understood I was to appear to-morrow—I wired yesterday for additional information that I might answer some of the questions that were asked the others. I think we have only around 14 wagons on the street.

By Mr. Bouchard:

Q. Just to complete our information, can you tell us who paid the 10 per cent required by the governments and for the banks?—A. The producers, the organization itself obtained the funds by loans, private loans and other means, to pay it itself.

Q. But there is no paid-up capital?—A. I am coming to that, as to how we paid that, I am dealing with the investment at the moment: Then we have in office furniture and fixtures, $3,305.02; and in motor trucks $4,779.40; our horse barn cost $4,452.50; that makes a total of $217,437.52, which enabled us to manufacture last year around a million and a half pounds of butter. The actual figures I can give you in a moment; and to distribute, I would estimate in the neighbourhood, of the past fourteen months, about three million pounds of milk—these figures are shown as at December 31, 1932, and the last statement was October 30, 1931, which is a fourteen month period. The reason for that was that formerly, we wanted our final payments to be sort of a Christmas present, and we found that we could not do it and they decided to let the year run to the end of the current year so that we can file our income tax reports and so forth, on the current year basis.

Q. Have you any income tax?—A. We have to file a return.

Q. But you don't pay any?—A. We pay a certain amount, that is, we pay on what we set aside as capital, but what we distribute to our members by way of final payment is not taxable.

Q. Well, you have no federal income tax?—A. I think we have to file a return, I don't think we have to pay.

Q. That is all?—A. Now, so much for our capital investment. In the past four years, in addition to paying what we term a current market price, we have earned for our members—this is rather ambiguous, I admit, I am calling it gross profits, but it is what some might refer to as final payment.

By the Chairman:

Q. That is, returns?—A. Returns of $112,995.

Q. Let us get that again.—A. In the four years ending December 31, 1932, our gross earnings——the final earnings that were available—amounted during this four year period to $112,995. Of this, we applied on the reduction of our capital debt, by issuing to our respective members participation certificates, indicating what they had contributed to the capital reduction in debt, an amount of $37,092.

Now, we plan to operate on what is known as a revolving finance system under which plan, when a member holds participation certificate marked "A," issued during the first year of operation, he will be paid out so that a new producer coming in at a later time will be carrying the load; and it will revolve like that, from year to year. We started on about a seven year basis, under present economic conditions, however, I think it will take a little longer. No interest is paid on these participation certificates. This was raised at our annual meeting about a month ago. There was not a request that any interest be paid, although the farmers were hard up as you all know. They thought if we could get rid of this interest burden and have a revolving system, that would be the proper way to function.

We have set aside for depreciation reserve on plant $37,181; and we have returned to our members in final cash payments $38,722.

Now, coming to the returns, in the way that I think you want them. You, I believe, are rather anxious to know, what do we pay to our producer for fluid milk, what do we charge the consumer, and what is the spread or the cost of doing business? We are paying to our fluid milk producers what we term a basic price of $1.80 per 100 pounds on 3·6 milk.

By the Chairman:

Q. Is that laid down, Mr. Love?—A. At the plant, with a 5 cent up and down payment for each one-tenth of one per cent increase or decrease in butter-fat content in the milk—5 cents a point.

By Mr. Bouchard:

Q. That is, 5 cents, fluctuating according to the price of butter on the market. —A. No, we maintained the 5 cent payment since we commenced business: 3·6 milk would be $1.80; 4 per cent milk would be $2; 3·2 milk would be worth $1.60. That is the way it works.

By the Chairman:

Q. It works both ways?—A. Yes.

By Mr. Bouchard:

Q. How does it compare this year with the price for butterfat in the ordinary channels of trade?—A. Now, if you would mind deferring that question, I think that is the crux of the whole problem throughout Canada to-day —this surplus problem. I have some interesting information on that. What I have dealt with is the fluid milk that goes through our milk department, which is called for by truck. The members that participate in this market are the members who qualify according to the regulations established by the city, which are very rigid. I have prepared a synopsis of these regulations.

By Mr. Bouchard:

Q. They are well observed?—A. They are very well observed, by the fact that the health department of the city maintains inspectors who are right on the job. They are more careful to-day than they ever were before. These inspection and sanitary regulations have of late become very rigid in the Edmonton milkshed. Aside from prescribing the number of square feet of space for each cow in the barn, these regulations call for a definite amount of window space for each cow, and a specially constructed milkhouse apart from the barn a certain distance—I am afraid I have not got the figures of the distance now—the milkshed must have cement floors, and a sterilization unit is now being requested that will cost in the neighbourhood of $100. This will likely become standard equipment for all milk producers delivering milk to the city.

Q. Is any ventilation system required?—A. Yes, the ventiliation requirements are very rigid. All cows producing milk for city distribution must be tested twice a year for T.B. The one I am giving you now I think is a rather recent requirement—all persons engaged in any work pertaining to milk production on the farm or the handling of the milk in the creamery, as well as the deliverymen, must undergo a medical examination periodically to ascertain their absolute freedom from communicable diseases of any kind. Now, that is getting the fluid milk situation to a point where a man who invests in a dairy to meet these requirements has a great deal at stake.

Q. To a point where pasteurization would not be needed.

By Mr. Vallance:

Q. Who pays for all this?—A. The producer pays for all that.

Q. For the protection of the city consumer?—A. Yes. Now, here is the point.

The Chairman: But you must admit that he gets a preference.

The Witness: Yes, the member who can qualify for a city permit to deliver milk to the city then applies to our Association for permission to deliver fluid milk through our organization. They are all tied up by a contract, and we therefore control our own surplus because we only take new shippers who live very close to the city, and who are qualified to ship. Our association decides whether or not they deliver to our fluid milk section. Our surplus, the amount of milk that we do not use at our plant for city use, is about 30 per cent, and we settle for that surplus—that 30 per cent—by paying the butterfat price for that surplus. Now there is where I think the greatest "hardship" shall I say, exists in the minds of our shippers to-day. I think this will be rather startling to you. We pay for that surplus on butterfat prices—I presume these payments are the averages for each month, because the producers are paid twice a month—now, here is what 100 pounds of 3.5 milk, paid for on butterfat prices, would bring in the month of July for the past four years: In 1929 the July prices for butterfat, special grade, was 35 cents—100 lbs., of 3.5 per cent milk would bring \$1.22½ cents; a year later, in 1930, the butterfat price for special grade butterfat in July was 25 cents, and a hundred pounds of milk was worth \$.87½; in 1931 our butterfat price for that month for special grade was 16.4 cents, and 100 pounds of milk on butterfat basis was worth 57.4 cents; and last July—

By Mr. Bouchard:

Q. When you say butterfat do you mean milk butter?—A. No, butterfat bought in our milk department for churning into butter. We have three grades, special, number one and number two. Last July, 1932, the best grade of cream supplied to our creameries in the month of July brought 10.4 cents a pound, and 100 pounds of milk was worth 36.4 cents.

Q. How do you explain that, the price of butterfat was never as low as that?—A. I only wish, Mr. Chairman, that this committee were investigating that phase of the industry which is affecting the Western Provinces; and without taking your time I would like to file with the committee our average monthly prices for special grade cream for each month for the years 1926, 1927, 1928, 1929, 1930, 1931 and 1932. It is rather astounding that in April of last year we received 16 cents; May, June and July, when our flush of production was on and we were told that a lot of butter would be exported—when only 1 pound out of 40 was exported—that one pound set the price for the other 39; or of our entire production during that period, some 125,000,000 pounds of butter, only 3,000,000 pounds were exported. Our cream prices fell to 12½ cents in May,

11.2 cents in June, and 10.4 cents in July. In August it came back to 15 cents; September back to 17.4 cents, and it remained on that level until the end of the year.

There is the problem, as I see it, affecting the fluid milk producer. In the summer time he gets a tremendously low price over the full amount of the surplus; and he feels that it is not fair, that there is something wrong; and I think there is.

Now, what do we sell our milk for? Milk is selling in Edmonton by all distributors at ten tickets for a dollar, or ten cents a quart, delivered to the consumer. I may say that since we have entered the business of distributing our own milk to the consumers of Edmonton we have I think had very happy relations with the two private distributors in the city. There has been nothing that could be classed as a price war in Edmonton, I think, since we have been in business. We are trying to work together for the common interest of our producers. I presume that what you would like to know is, what amount of that is returned to our members. Well $1.80 per hundred is the present basic price, for the fluid milk delivered. Taking 38·9 quarts to the hundred pounds that would be 4·6 cents per quart. Now, the difference is 5·4 cents; but that is not our real spread.

Q. Yes.—A. There is a second payment to be made, and the operation for the fourteen months ending the past year showed a surplus for the milk department of $6,208.49, I have made an estimate. I would have had this accurately if I had known more about what might have been expected or what the committee really wanted; but I have estimated roughly 3,000,000 pounds of milk during that period went through the plant the profits on which represent about 20.7 cents a hundred or about half a cent a quart, the final payment.

Q. That makes 5 cents a quart?—A. About 5·1.

By Mr. Pickel:

Q. That would be about a 50-50 division?—A. A 50-50 division; that is about what it is; and, of course, the investment in a milk plant is very heavy as you know, and we are taking most of that and crediting it to the member as his payment on the capital we borrowed from the bank. I do not know exactly the interest we pay the bank but the government guarantee does not mean that we get interest any cheaper than our competitors. We deal with the bank, not with the government.

By Mr. Bouchard:

Q. You are building up something that will be less and less costly?—A. Yes. We pay the regular interest that our competitors pay the bank for the money they borrow. The point I would like to make now is that of the 5 cent cost of distributing our milk I think about 3 cents of that could be charged to the cost of delivering the milk after it is pasteurized and bottled to the consumer's door. Of course, you have heard a great deal about price wars and chain store competition in other cities and when the chain store reduces its price 2, 3 or even more cents per quart a certain volume is deflected from the milk wagons to the stores and the costs of delivering that milk increases as the volume is deflected from the milk wagons to the stores.

By the Chairman:

Q. What proportion, if any, of that milk is bulk milk?—A. not a great deal of our milk is sold—I presume you mean wholesale?

Q. Yes, wholesale?—A. Not a great percentage. I cannot give you the amount. We have few of what you might call substantial contracts with hospitals or large institutions.

Q. That would affect the price, of course?—A. Yes; We sell to the stores for $8\frac{1}{2}$ cents a quart. These prices, I believe, are uniform among the three distributors.

Now, regarding the chain store situation, I am very happy to say that we have not had that situation menace our organization in Edmonton. It threatened—I think, to some extent it has existed in the city of Calgary—it threatened to break out in Edmonton and our government warned those involved that they were prepared to pass public utility legislation that would place milk as a public utility under the control of our Public Utility Commissioners, somewhat similar to the Winnipeg situation. From that day on we have had no trouble. I am able to tell you that our stores on the whole—there may be an odd isolated exception—are charging the same price to the consumer as we charge from the wagons—10 cents a quart.

Q. Of course, you have the authority in your province to declare milk a public utility?—A. Yes. Have you dealt with that, Mr. Chairman?

Q. No.—A. I would like to file with you, after referring to it briefly, a copy of our legislation known as the Public Utilities Act with the amendments that were passed recently in our legislature. A synopsis of what this Act involves might be summed up as follows: "The purpose of this Bill is to give the Board of Public Utilities Commissioners power to make enquiries into matters relating to the production, handling and distribution of milk, if it appears to the board that the milk supply in any part of the province is likely to be interrupted or impaired in quality to any extent affecting the public health or convenience, it may make regulations, and particularly prescribe the area or areas affected by any regulation, provide for the supervision of the production and sale of milk and all operations incidental thereto; license milk dealers; regulate the production, reception, handling, storing, and delivery of milk; classify milk producers, distributors and dealers; and establish schedules of prices."

Q. Now, who takes the initiative to make milk a public utility? Is it the board or the government?—A. "The board shall have jurisdiction upon its own initiative or upon complaint in writing to inquire into any matter relating to the production, supply, distribution or sale of milk."

Q. It is the board itself?—A. The board itself; or it may come about by the initiative of someone making complaint to the board.

By Mr. Tummon:

Q. It really is under the board?—A. Yes, it is. And the fact that this exists on the statute books and may be put into effect any day is one reason why I think we are not likely to have the trouble that other places have had. I hope it shall never be put into effect, but it is there for our protection if it is required. I would be glad to file with the committee all the amendments we made to the Bill at our recent session. Now, that is the exact Bill as it stands. Now, Mr. Chairman, I am afraid I have continued long enough.

By Mr. Bouchard:

Q. Who would require the application of this legislation?—A. Who would require it? Who would ask for it?

Mr. TUMMON: The producers or anybody?

WITNESS: I would presume that if chain stores commenced to sell milk for 5 cents a quart, both our producers' organization—private distributors and our own association would wait upon the Board of Public Utility Commissioners or send a petition to them. They would first investigate, and if they deem it necessary, act according to the legislation.

By Mr. Moore:

Q. Did they have any difficulty in getting that through the legislature?—A. Not a great deal. The amendments that were proposed were such that I think it brought about satisfaction to all sides of the house.

By Mr. Bouchard:

Q. For instance, is it any inducement to the producer of milk to increase the butterfat of his herd according to the prices that are paid to-day?—A. I would answer that by saying that most of the herds in our district produce an average of about 3·6 butterfat. If there were any inducement why I think you would find the average milk coming in of a higher test than the average that we buy. I do not think there is any indication that there is a tendency of producers to tamper with the butterfat content of the milk.

Q. Nor to decrease it?—A. Naturally, not decrease it. They lose 5 cents a point under 3·6

Q. The point I want to make is this: if there is any inducement to increase or decrease it what will regulate it? For instance, somebody might take a little cream out of his milk or add cream to it; how could you prevent that?—A. Of course, we can prevent that. By the terms of our agreement we can demand that our producers deliver a milk of a certain range of test.

By Mr. Vallance:

Q. Between?—A. And that it shall not be tampered with. It must come as it is from the cow. We can regulate that in our organization. We control the members.

Q. Would not you in your control say it shall not be below or above certain precentages of butterfat?—A. Of course, we have not found it necessary. It could be done.

By Mr. Pickel:

Q. You receive a 3·3 milk or a 3·9 milk, and you pay accordingly?—A. Quite.

By Mr. Bouchard:

Q. You have no case?—A. We have had no case of any of our members delivering milk that was not acceptable to our organization. I presume you mean the milk that might have been tampered with?

Q. Yes.—A. No. We have not had a case of any member.

By the Chairman:

Q. Is there anything objectionable about a farmer, for instance, adding a certain amount of cream to his milk to bring it up to a reasonable standpoint?—A. I would say that what is being done in some cases—for instance, a farmer has a herd of holsteins that test a little low; he may take on three or four jerseys and bring his test up. That is the way it is done.

Mr. VALLANCE: There are some in this province that cannot come up to the requirements in butterfat; I know them.

The WITNESS: I know some of our members do that; they keep a few jerseys.

Mr. VALLANCE: All you have to do is travel between Montreal and Ottawa and watch the herds and you will see mixed herds of holsteins and ayrshires. What for? To step up the milk; one to give the volume and the other butterfat.

Mr. TUMMON: You cannot tell by going on a train what butterfat a cow will give.

By Mr. Bouchard:

Q. That is why I am so insistent upon this point. It is an admitted principle, I think, in the livestock system that a man will try to increase as much as possible the butterfat content of the milk. Now, if your organization is built up so as to give an inducement to the farmers who are always working to improve their herds by selection and so on, I think it would be much more reasonable?—A. You would agree that the 5 cent premium for each one-tenth of 1 per cent increase in the butterfat content would be an inducement.

Q. Whatever percentage is paid. So long as you pay something reasonable that would induce farmers to have as rich milk as they can get, so he would improve his herd all the time, rather than, as we have had evidence with some other companies, not paying any heed to that with the result that the farmers become rather indifferent to this condition, and perhaps afer ten generations of calves they will have to rebuild all their stock. That is why I insist on this point that some consideration should be given to the farmers who have always improved the quality of their milk and the quality of the butterfat content in it?—A. In our method we are taking into consideration that point, are we not?

Q. Yes. I think you do it properly.

By the Chairman:

Q. I want to ask you a question. I do not know whether you can answer it or not. I suppose labour costs enter very materially into the price and the cost and the spread, do they not? Labour costs within your organization?—A. I would say that our labour costs are very low on account of the tremendous butter volume we handle. We take men from the butter department for an hour or two hours or three hours a day into the milk department, and their hours spent in the milk department, I think, are such that we have very efficient working arrangements and our labour costs are about as low as you can get them.

Q. What I was trying to get at was this: do your labour costs within your organization bear any comparison or have any relation to the labour costs on those farms that are producing this high-class milk?—A. The labour costs in our plant, I think, are quite reasonable. I would have to give you the various costs—the different types of labour so that you could compare that with some others you have.

Q. We have a brief that was sent in this morning by the Amalgamated Association of your province?—A. That is of B.C.

Q. No. Alberta. You were not here at the time that was read, and I do not think I mentioned it to you; but they say that labour must be paid for at a higher rate on the farms that are producing fluid milk than ordinary farm labour. I was wondering if you keep your labour costs within your organization anywhere on a par with the labour costs of the farmer who is producing this milk?—A. Oh, well, of course naturally the labour costs of the factory are on quite a different level to the labour costs of the farmer.

Q. Why should that be?—A. It is unfortunate that the farmer takes what is left, and he may not get even interest rates on investment, whereas in a business even that is co-operatively run, we do pay interest, depreciation, and all the legitimate charges; but the farmer cannot do all that.

By Mr. Pickel:

Q. Do your figures take into account the results of butter and poultry feature?—A. Yes.

Q. Do you manufacture milk powder or evaporated milk?—A. No, we manufacture principally butter. We received during this 14 month period, 1,330,540 pounds of butterfat and made that into 1,644,444 pounds of butter.

Q. How about cheese?—A. We make no cheese.

By Mr. Bouchard:

Q. What about skim milk and buttermilk?—A. Our skim milk and our buttermilk, mostly buttermilk in our case, because we are particularly a creamery, is put in a huge tank, and our members who live close to Edmonton raising hogs buy it. The price has varied. I cannot tell you exactly what it is, but a nominal price, so much a hundred pounds for what they carry away, and that goes in as revenue.

By Mr. Pickel:

Q. They buy that?—A. Yes, for hog feed. We make no cheese.

By Mr. Tummon:

Q. But your entire cost of operating your plant is divided pro rata amongst the different things that you put out, such as fluid milk, butter and such like?—A. Yes. Take our dividends last year, our final payments, if you like. Our butter department had $18,015.79, and our milk department $6,208.49. Now, the ice cream department made a profit of $8,069.72. I have not the details of how the audit was made, but I know a percentage of the profit of ice cream was credited to the milk department, and the remaining charged to the butter, depending on how the contributions came from the two groups of producers.

By Mr. Lucas:

Q. How is that milk paid for that you turn into ice cream?—A. That comes from the surplus. That maybe is why we earn a fairly large profit; but I may say we only have one small ice cream unit. We do not make a great deal.

By Mr. Pickel:

Q. What about your sweet cream sale? Where do you get it, by separating it out of the surplus?—A. We took into our organization when we started, a few table cream shippers from the Millet district, and they have supplied the table cream for the organization, and it has been kept separate. They are like a third section.

Q. So you do not separate any of the surplus milk for sweet cream?—A. No, we do not separate anything except the surplus of 30 per cent from our fluid milk shippers.

By the Chairman:

Q. I do not want to embarrass you, Mr. Love, but the reason I asked you that question in regard to labour costs is this: some recommendations have been made— —A. May I see them?

Q. Yes.—A. I am sorry I was not here when that was read, but it represents the fluid milk producers who are not in our organization. They are organized and they have made their presentation. I am sorry I was not here.

Q. The reason I asked that was this: it says here that an effort should be made to place the production of fluid milk on a cost plus basis?—A. Yes.

Q. Labour costs and other things enter into the cost of production. I was wondering if it were possible to keep your labour costs within your organization?—A. To make it possible?

Q. Yes. And on a par?—A. I would say it is impossible unless our organization can make an agreement with other distributors and obtain a pasteurization by-law so that no raw milk could be peddled, and the consumers would stand the increase which would be necessary to pay our producers on a cost plus basis.

Q. Do you think the prices you are paying for fluid milk to-day are on a cost basis?—A. I do not think they are. I think, as I said before, the reason that request was made, is not so much on account of the basic price paid, but

you will find that in some of the organizations some of these men ship nearly 50 per cent surplus, and that surplus is bringing such a ridiculously low prices, that the average they get for 100 pounds of milk is very low. I think that is the reason. I think they have a very just claim to ask for a much larger return than they are getting, owing to the rquirements that now are made on fluid milk producers to invest in up-to-date sanitary equipment, and maintain their herds in a modern way.

By Mr. Bouchard:

Q. You make no difference at all in the price of mlik in summer and winter?—A. We find that when the volume in the spring increases greatly, and the volume that is being distributed to a great extent by those independent distributors, is being sold at a cent less a quart, we are forced to get on a 9 cent basis, and when that time comes, our producers may have a 40 or 35 cent reduction in their basic price. That has not happened this year. I do not know whether it may be forced into effect or not. Last year it necessitated the 9 cent price, and about $1.45 for basic milk; but we are still operating on $1.80 and 10 cent a quart basis.

Q. You pay $1.80 irrespective of the season of the year?—A. We are paying it to-day, but may be next month it will have to be changed. There is no definite date when it may be changed. Conditions bring changes about by competition and various other factors.

By the Chairman:

Q. There is another recommendation here, Mr. Love. It says: "The spread between the producer to consumer should be controlled." As a distributing organization, have you any objection to that?—A. No.

Q. That would be arbitrarily controlled by a public utility board or something of that nature?—A. Thinking now, apart from our particular organization, that is functioning as we feel in the best interests of our members, I think any one must realize two or three or four milk wagons going up a street is inefficient distribution, and if the city decided to make it a city utility, and distributed its own milk supply, from its own milk wagons, certainly a saving could be made, and that spread reduced. I think that is true.

Q. You would have no objection to that?—A. Not if the city wished to do it, we would have no objection to it.

By Mr. Coote:

Q. We might go back to a question that you yourself raised about the ridiculously low price paid for surplus milk.—A. Surplus milk.

Q. Yes. Are there not a lot of farmers in Alberta, as well as in other provinces, who live where they cannot sell whole milk, and are they not in the position of having to take that ridiculously low price you mention for all their production?—A. Absolutely.

Q. And would you not say that they are producing on a cost minus basis?—A. Absolutely. What is going to happen this year? I think Mr. Coote will bear me out in this. The hope that has to be extended to the producer is that the East will increase its cheese production and decrease its butter production so there will be no surplus for export. That is the hope. My feeling on what will likely happen in another month or two would be that we will find the new grass bringing on a great increase in production out through the west, and the man who is asked to take that butter and hold it for future requirements will find that he will have to finance it. When he is required to finance it, it will be financed likely on what it would bring on the export basis, and the moment the Montreal prices are reduced to the export basis, which actually happens

before anything is exported, our cream prices will be reduced in our province, Saskatchewan and Manitoba, to unprofitable levels and the calves will be called in to do the milking, and there won't be any dairying done until next fall, in many cases and very little done until next spring, and if conditions look good again, we will see many try to produce cream for butter purposes when the grass comes again. No farmer will produce butterfat at a loss except when he has a herd that he has pride in, and he feels, even at a loss, he is going to milk those cows and keep his herd and investment, hoping for a return of better times. The ordinary mixed farmer who brings in grade cows, dual purpose cows, is the man I have seen many a time who will let the calves do the milking when he thinks it will not pay. We cannot build up a dairy industry in western Canada unless some measure is designed that will prevent that one pound in forty, or 2 or 3 per cent or our surplus production that must be exported, from setting the entire price level for those months on our domestic market.

By Mr. Vallance:

Q. How are you going to do it? Have you any suggestion to make?—A. Well, I should not like to say anything at this moment. They are discussing it right now over in the producers' meeting in the hotel. There are many ways it could be done. I would advocate a dairy produce board that would be given authority to direct and regulate the industry to maintain stable price levels. I have never asked the federal government to spend one cent of its revenue to help the dairy industry. I have advocated for three or four years that the federal government should give us the legislation that would help us to solve our own problems. If we could have levied on our production throughout Canada—if that had been done last year, it would have required six cents on every hundred pounds of butter produced in Canada to have provided a four-cent bonus to take care of the loss on export, and thus have saved to the cream producers in Canada $4\frac{1}{2}$ or 5 million dollars that was lost in purchasing power through the reduction of our price levels to the export levels during those three months.

By Mr. Taylor:

Q. Would you recommend a policy similar to the Patterson plan in Australia?—A. I am so anxious that something be done that I do not care what policy is adopted; but I am sure that one of two or three policies could be adopted.

By the Chairman:

Q. Let me ask a question right there. I realize we are getting a little away from the real object of the investigation at the moment. You say prices came down to 10 cents a pound?—A. We were paying ten cents for special grade butterfat in Alberta last summer.

Q. If you add four cents to that, would that appreciably help the situation? A. Four cents more on our price levels, during those three months, would have meant at least $4,500,000 more to our producers.

Q. But if you are producing under the cost of production, is that going to solve the problem?—A. We in the west want to be fair with the east, and if we ask for much more than four cents you people down here won't be making your cheese; you will be going into butter, and then we will wreck the whole industry.

We want only what we think is fair. We would like more, but we do not think it is fair to ask for it.

By Mr. Pickel:

Q. You think then, Mr. Love, that if the east would go into cheese more, and leave the butter operations to the west, it would assist the whole market? A. I think that would be the result, provided we had some sort of a dairy

produce board that would relieve the suspicion that would come into the minds of those who store butter that they would have to carry the loss on a little bit that might be exported. If that board could say, "We will have a fund that will provide for any loss that might be created," then the suspicion would be relieved, and we could maintain fair domestic prices.

Q. You see the analogy between the price that the consumer is paying to-day, 34 and 35 cents per pound for butter to-day— —A. How much?

Q. 34 and 35 cents to-day.—A. Do you know what we pay in Alberta?

Q. I don't know; 34 and 35 cents here last week for butter that the Commission men down in Montreal paid 15 and 16 cents for last summer.

Q. That was paid to the shippers?

Q. They have got a surplus price there, so as to put out next winter at a reduced price. One of those big creamery houses is making more money to-day than all the farmers in my whole district, three counties.

Mr. Bouchard: To make up for their losses in the past.

Mr. Pickel: That may be, but it should be regulated, and the government has got the power to do it.

By Mr. Coote:

Q. Could you tell us what they are paying for butterfat in Alberta?—A. When I left, the price of butterfat was 17, 15 and 12; 17 for special grade. I might say that I think you asked a question about the pound butterfat price last July. It was 10 cents for special, eight cents for No. 1, and five cents a pound for No. 2.

Q. Does that mean sweet cream?—A. Sweet cream—special grade.

By Mr. Vallance:

Q. What is butter in Edmonton to-day? What is butter retailing at?—A. I can only say that when I left Edmonton, butter was retailing around 22, 23 cents.

Q. Dairy butter in Saskatchewan is selling at eight cents to-day, dairy butter; and eggs at five cents a dozen.

Mr. Pickel: Retail?

Mr. Vallance: Retail, yes.

By Mr. Shaver:

Q. What is the average number of milch cows owned by your 3,000 farmers? —A. I could not tell you. I could not answer that. I might say in answer to that, to give you some idea, if you would take the 3,000 members and divide the 1,330,000 pounds of butterfat, you can get an idea of the amount of butterfat, and divide that by the average butterfat per cow, and you can get an idea. I don't know what it would work out to. But the relation of this butter question to the milk question is the fact that it sets the price of the surplus; and that ridiculously low surplus paid to a man who has put a big investment in sanitary equipment and in expensive cows, is the most discouraging factor he is up against. During a period of depression he is trying to make ends meet. He is perhaps producing more milk just to meet his obligations, and his surplus is greater, and he is taking a real loss on that surplus based on butterfat prices.

By Mr. Bouchard:

Q. Is the surplus milk apportioned to the quantity of milk delivered?—A. Yes.

By the Chairman:

Q. Don't you think it goes further than that, Mr. Love, that if the premiums were too great between fluid milk and milk that is used for butter, that it will have the tendency to draw more in and reduce the price of fluid milk?—A. Oh, it does, yes. There has been many a farmer move in close to the city of Edmonton and Calgary in the last few years, sell out a quarter or a half section of land, and get 60 or 80 acres in close, with the hope of getting in on the fluid milk market.

By Mr. Bouchard:

Q. Are not you of the opinion that if legislation were more and more severe, inspection, to get away from pasteurization and deliver proper milk, the real milk, that the consumer will pay less, we will get a better article, and the producer will get a little more and the spread between the price of fluid milk and the price of surplus milk would not be so high?—A. I am sorry, I missed the first part of your question through the squeaking of the door. Would you mind repeating it?

Q. Well, my point is this, that to-day instead of spending so much money for building up big plants in order to pasteurize milk, instead of that, if we were to make regulations more and more severe for the producers of milk, so as to be sure to get proper, clean and natural milk, that would decrease the spread between the producers and the consumers, and at the same time encourage very much the consumption of milk, and it will give an amount of recognition to the farmers for his ability to produce real milk, the real article. Instead of that, to-day we are not severe enough, we accept any kind of milk, with certain regulations more or less slackly or loosely applied, and in order to cure it, we have to pasteurize that milk as an emergency measure, for instance. Don't you think we would improve the condition of the consumers and producers of milk if we were directing all our efforts towards the production of pure, unpasteurized and sanitary milk?—A. No, I would not advocate that. I think the cost to the fluid milk producer, in living up to the present regulations, are quite high and require a much greater expenditure to operate his dairy than a few years ago. He is doing that to meet the requirements of the health departments. He is being checked by the larger distributors, by a careful analysis of every shipment of milk, while the small fellow who will get a licence, puts his milk in his bottles and sells for what he can get. He often takes a lower price, and that holds the price down for all concerned. If you could eliminate the small fellow who often undersells the regular distributor who is trying to give the best and most sanitary and highest quality of product to the consumer, you would eliminate the difficulty of meeting that competition. That competition holds down the price to-day.

By Mr. Pickel:

Q. Have you any idea of the cost of pasteurization alone?—A. Well, I mentioned that the cost of delivery of our milk after it is bottled is about three cents a quart. The cost of handling, pasteurizing, bottling, cooling, etc., runs a little over two cents.

Q. Well, pasteurizing alone, that would be—A. I have not that separate.

Q. It would be a small item?—A. Quite small.

Q. It would not be five or six cents a gollon?—A. No, I would not think so.

By Mr. Lucas:

Q. It is compulsory in Edmonton?—A. No, it is not compulsory in Edmonton. If we have compulsory pasteurization, we would eliminate the small peddler who sell raw milk on the street. You have had explained to you what the

Saskatoon situation is, what they have done, but I do not think it would be a permanent solution, because as Mr. Gooding said, the consumers would perhaps at some election, elect aldermen who would rescind the by-law, and the whole thing would be in chaos again.

By Mr. Tummon:

Q. In the pasteurization, is there much loss by evaporation or such like?—A. I personally do not think there is very much, but I am not a technical man.

Q. We had evidence before this committee here that there was approximately a loss of two quarts out of each can?—A. I could not give you any information on that.

Q. That would be high, would you not think so?—A. I would think so.

Mr. PORTEOUS: Two quarts in each eight gallon can.

The WITNESS: I am not qualified to answer technical questions of operation.

Mr. BOUCHARD: That point that I as making is that we should make the regulations more and more severe, I think, and there should be provincial regulations upon the traffic of the small peddler who has not the best quality of milk.

The CHAIRMAN: Any further questions, gentlemen? Are you ready to release Mr. Love?

(Carried)

Thank you, Mr. Love.

The witness retired.

The CHAIRMAN: Now, so far as I know, the business of the committee is over for to-day. There is a telegram here for Professor Grant from the chairman of the Public Utility Commission in Winnipeg, that I think should be read. I am going to ask the clerk to read it.

The CLERK: (Reading):

WINNIPEG, MAN., April 20, 1933.

Professor H. C. GRANT,
Chateau Laurier, Ottawa.

Peddlers included in price control that is ten cents quart delivered stop All orders substantially enforced stop Found it advisable ignore sales in outlying and poorer parts of urban area at twelve quarts for dollar stop In general interpret order as fixing minimum eight cents maximum ten cents stop Peddlers not asked to bear any cost of administration but plan levy upon them in near future.

W. R. COTTINGHAM,
Chairman Municipal and Public Utility Board.

The CHAIRMAN: You will remember that yesterday there was some question in Professor Grant's evidence about the milk peddlers being controlled by the public utilities board. I think that is clarified by this telegram.

The committee adjourned at 5.00 p.m. to meet on Monday, April 24, at 3.30 p.m.

APPENDIX "B"

NORTHERN ALBERTA DAIRY POOL, LIMITED

AGREEMENT

This Agreement made this day of A.D., 19

Between Northern Alberta Dairy Pool Limited, a body corporate, formed under the Co-Operative Marketing Associations Act, with Head Office at the City of Edmonton in the Province of Alberta, hereinafter called "The Pool" of the First Part, and The Undersigned, a person concerned in the production of milk or cream, in the Province of Alberta, hereinafter called "The Producer," of the Second Part.

Whereas the Pool has been formed for the purpose of processing and marketing collectively and on the Co-operative plan, the dairy products of its individual members and the products thereof and for such purpose is required to provide and maintain the necessary and adequate facilities for the proper conduct of such business;

Whereas the Producer desires to co-operate with others concerned in the production of dairy products and in the processing and marketing of the same or any produce thereof; and receives certain benefits in the collective assembling, pooling and marketing of his dairy products the facilities of the Pool; and is desirous of becoming a member of the Pool;

Now this agreement witnesseth that in consideration of the premises and the covenants and agreements on the part of the Pool as hereinafter set forth and the execution of this Agreement or one in similar terms by other producers of dairy products in the said Province, and in consideration of the mutual obligations herein set forth, it is hereby agreed by and between the parties hereto as follows:

1. The Producer covenants and agrees to deliver to the Pool or its order as it may direct, and at such loading station or platform or other place as may be designated by the Pool for and during the term of five (5) years from and after the date of this Agreement, all milk and (or) cream produced on the farms owned, operated or controlled by or for him within the area comprised by the Pool or acquired by him either as milk or cream, save and except only such milk or cream as he may desire to use for his own or family use or stock feeding purposes, or to sell by retail to consumers in the neighbourhood in which the Producer's farm is situate.

2. The Producer agrees to deliver the said milk and (or) cream as aforesaid in a good marketable condition and in compliance with any rules and regulations made from time to time by the Pool and subject to any laws of the Province of Alberta applicable thereto.

3. The Pool agrees, subject to the provisions of this contract, to act as agent, factor, mercantile agent and attorney in fact for the Producer and, in its discretion, to receive, take delivery of, handle, mix, manufacture into butter or cheese or milk products, store, transport, market, sell or otherwise dispose of the milk and (or) cream delivered to it by the Producer under this Agreement or any product or by-product thereof.

4. The Pool will, whenever possible, in its discretion, take delivery of the said milk and (or) cream at the delivery point most convenient to the Producer.

5. The Producer expressly covenants and agrees that he will not sell or otherwise dispose of any of the milk and (or) cream which he is under contract to deliver to the Pool pursuant to clause one hereof to any person, firm or corporation other than the Pool at any time during the life of this contract.

6. The Producer hereby appoints the Pool his sole and exclusive agent, factor and mercantile agent within the meaning of the "Factor's Act" of the Province of Alberta, with full power and authority in its own name, in the name of the Producer or otherwise to transact such business and take such action as may be necessary, incidental or convenient for the accomplishment thereof, coupling such appointment with a direct financial interest as common agent and attorney in fact of Producers hereunder and without power of revocation for the term thereof:

(*a*) To receive and take delivery of the milk and (or) cream delivered to it by the Producer; to handle, transport and market all or any part thereof as fluid milk products or by-products, all within its discretion and in whatever way and at such time and place as the Pool shall, in its judgment, determine to be to the best advantage of all the Producers who have signed this Agreement or an Agreement similar in terms.

(*b*) To mingle any milk or cream delivered by the Producer with milk or cream delivered to the Pool by other Producers.

(*c*) To make regulations establishing grade standards and to grade and classify any and all milk delivered to it by the Producer in accordance with such grade standards, it being understood that the "Dairymen's Act" of the Province of Alberta and the regulations made thereunder for the time being in force shall govern the grading of all cream delivered to the Pool by the Producer.

(*d*) To borrow money in the name of the Pool and on its own account on the milk and (or) cream delivered to it by the Producer or on any warehouse, storage, or other receipt, or on any draft, bills of lading, bills of exchange, notes or acceptances, orders, or on any commercial paper delivered therefor and to exercise all rights of ownership without limitation, and to mortgage or pledge in its name and on its own account, such milk and (or) cream and any warehouse, storage or other receipt, bills of lading, bills of exchange, notes or acceptances, orders or any commercial paper as security therefor.

(*e*) To acquire by purchase, lease or otherwise, and to own, sell, lease, construct, hold, operate, maintain, manage and dispose of warehouses, cold storage and refrigerator plants, creameries, factories, packing plants and machinery and plant for the manufacture of artificial ice.

(*f*) To prosecute or settle any and all claims for damages or otherwise which may occur in connection with the handling of Producers' milk and (or) cream during transit or otherwise or that may arise in connection with the exercise of any of the powers of authority herein granted and for that purpose to do all things necessary or incidental thereto.

(*g*) Generally to exercise all powers and do all things which the Pool is authorized to do by the Memorandum or Articles of Association.

7. Fluid cream and milk shall be pooled separately.

8. The Producer agrees that the milk and (or) cream will be produced, kept and delivered under sanitary conditions and that the Pool shall have the right to reject any milk or cream not conforming to its standards. The Pool shall also have the right, through its Directors or other representatives, at any time to inspect the cows, stables and milk houses of the Producer.

9. The Pool reserves the right to notify and require the Producer from time to time and, in the absolute discretion of the Pool, to deliver his product to the Pool either as cream or fluid milk or in a designated percentage of each, and the Producer covenants and agrees to deliver his milk and (or) cream in accordance with such notice and requirement.

10. The Producer hereby agrees that the Pool shall have the right to deduct a sum not exceeding two (2) cents per pound of butterfat and in the case of all other products, six per cent (6%) of the value of the finished product for the purposes of establishing a reserve. The Producer agrees that his interest in the reserve shall be at all times governed by the following regulations which are expressly made a part of this contract; namely,—

(*a*) The funds accumulated by virtue of the deductions herein authorized, shall be at the absolute discretion of the Directors for the purposes of purchasing additional plant and equipment and to be used as a Sinking Fund and to be used as a liquidated cash reserve or in any other way suitable to the handling and disposition of a commercial reserve.

(*b*) The Pool shall annually, at the close of its financial year, issue to the Producer a reserve share certificate which shall have no face value and shall only be evidence of the fact that the Producer to whom it is issued has contributed to the Reserve the sum named in the certificate.

(*c*) Such reserve share certificate shall be redeemable only at the discretion of the Directors and at a value to be fixed by them and the Directors shall have power to declare a dividend or otherwise on the said reserve share certificate and to make any regulations with regard to a transfer of such certificate.

(*d*) On a voluntary winding up of affairs of the Pool, holders of reserve share certificates shall share in any assets to be distributed in the proportion which their several holdings of reserve share certificates bear to the total then outstanding of all such certificates.

(*e*) Upon the withdrawal, retirement or decease of any Producer, the Directors shall ascertain the value of the reserve share certificates held by such Producer at the time of his withdrawal, retirement or death by their making a valuation of the Reserve Fund and by ascertaining the proportions which such certificates bear to the total of all of the then outstanding certificates: and the value so ascertained shall be payable at such time or times, in such instalments and manner as the Directors may in their sole discretion determine.

11. The Producer covenants and agrees to pay an entrance fee of Two Dollars ($2) to defray the expenses of organization, to carry on field service and other educational work and other proper activities of the Pool, and a sum of not more than 50 cents per annum as a subscription to the official organ of the Pool. Provided that no entrance fee shall be payable if the Producer is at the date hereof a member in good standing of The Alberta Co-Operative Dairy Producers, Limited.

12. All testing and grading of cream shall be subject in all particulars to the provisions of the "Dairymen's Act" of the Province of Alberta and amendments thereto and regulations made thereunder; and all testing and grading of milk shall be subject in all particulars to the regulations of the Pool relative thereto and in force for the time being.

13. Inasmuch as the remedy at law would be inadequate and in as much as it is now, and ever will be, impracticable and extremely difficult to determine the actual damage resulting to the Pool should a Producer fail to deliver all of his milk or cream, as herein provided, the Producer hereby agrees to pay to the Pool for all milk and cream delivered, sold, consigned or marketed by or for him or withheld, other than in accordance with the terms hereof, the sum of ten cents (10c.) per pound butterfat for each pound sold or withheld

as liquidated damages for the breach of this Contract, all parties agreeing that this Agreement is one of a series depending for its true value upon the adherence of each and all contracting parties to each and all of the said Agreements.

14. The Producer agrees that, in the event of a breach by him of any material provision hereof, particularly as to delivery or marketing of any milk and (or) cream other than through the Pool, the Pool shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and other equitable relief, according to the terms of this Agreement; and the Pool and the Producer expressely agree that this Agreement is not a contract for personal services or demanding exceptional capacity or talents; and that this is a Contract of agency coupled with financial interest under special circumstances and conditions and that the Pool cannot go into the open markets and secure milk and (or) cream to replace any which the Producer may fail to deliver; and that this Contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

15. The Producer hereby authorizes the Pool to enter into any contract for such consideration and on such terms and conditions as it may deem advisable and profitable for the handling, transporting, grading, marketing, manufacturing or selling of milk or cream or the products or by-products thereof received by any Association already or hereafter organized in the Province of Alberta as a Co-operative Milk or Cream Marketing Association.

16. The Pool may establish selling, statistical or other agencies in any place in the world and the Pool may act in any of the businesses of the Pool through or by means of agents, brokers, sub-contractors or others.

17. This Contract shall be deemed to be renewed as between the parties at the expiration of the five year period for which it is made for a future period of five years, and similarly at the expiration of any subsequent period of five years for which it is so renewed unless either party gives to the other a notice in writing determining the contract at least six months prior to the last day of any such five year period and upon such notice being given this contract shall determine upon the expiration of the said period.

18. The Pool is hereby authorized to deduct the amount of the said entrance fee and any subscription payable by him pursuant to clause 11 of this Contract from any moneys due to him for milk, cream, or other dairy products sold through the Pool.

19. This Agreement shall be binding upon the Producer, his personal representatives, successors and assigns, during the period hereinbefore mentioned, as long as he produces milk and (or) cream, directly or indirectly, or has the legal right to exercise ownership or control of any part thereof or any interest therein, in the manner specified in clause one (1) hereof.

20. The Parties agree that there are no oral or other conditions, premises, covenants, representations or inducements in addition to or at variance with any of the terms hereof and that this Agreement represents the voluntary and clear understanding of both parties fully and completely.

In witness whereof the Producer has hereunto set his hand and seal and the Pool has hereunto affixed its seal under the hand of its proper officer in that behalf, the day and year first above written.

NORTHERN ALBERTA DAIRY POOL LIMITED.

Sealed and delivered and
countersigned by the President
in the presence of:

.... Per..............................
President.

Signed, sealed and delivered
in the presence of: [SEAL]
(Producer's Witness)

....
.... Producer's Signature.

Subscribing Producer's Full Name..............................
(Print this name)

Post Office Address..............................

Shipping Point..............................

PRICE COMPARISONS

Last summer in the month of July cream producers in Western Canada received less than one-third of the average July price received during the five years from 1926 to 1930. The average price paid to the Alberta cream producer for special grade butterfat during July, 1932, was 10·4 cents per pound.

Average Monthly Prices Paid for Special Butterfat in Alberta

	1926	1927	1928	1929	1930	1931	1932
January	36.8	37.0	40.0	39.2	38.0	26.6	18.2
February	40.7	37.0	40.6	39.0	38.0	27.4	13.4
March	44.2	37.0	42.0	39.0	36.5	27.4	16.8
April	35.6	37.0	41.0	39.0	32.0	25.7	16.0
May	31.0	35.8	36.3	35.0	28.0	17.7	12.5
June	31.5	32.0	32.0	33.5	25.2	16.4	11.2
July	30.2	32.4	34.5	35.0	25.0	16.4	10.4
August	30.0	33.7	38.2	35.1	25.0	16.4	15.0
September	29.2	35.2	39.6	36.0	25.5	16.4	17.4
October	29.0	36.0	41.0	38.0	27.0	16.4	17.4
November	29.5	37.5	41.0	38.0	27.0	17.4	17.4
December	36.4	40.5	40.2	38.0	26.5	19.4	17.4

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, APRIL 24, 1933

No. 20

Reference,—Milk and Milk Products

WITNESSES:

Norman Spratt, President, Ottawa Valley Milk Producers' Association.

John Innes, Representative of Association Executive.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Monday, April 24, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard, Bowen, Boyes, Carmichael, Gobeil, Hay, Loucks, McGillis, Moore, Motherwell, Mullins, Pickel Senn, Shaver, Simpson, Swanston, Weese, Wilson.

Norman Spratt, president of the Ottawa Valley Milk Producers' Association and John Innes, representative of the executive committee of the Association appeared and were duly sworn.

The witnesses read prepared statements and were examined at length by members of the committee.

Witnesses retired.

The meeting adjourned till Tuesday, April 25, at 10.30.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

APRIL 24, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn presiding.

The CHAIRMAN: Gentlemen, the clerk has a letter from Mr. Jones of the Ottawa Dairy which should be read into the record.

(Clerks reads):—

OTTAWA, April 21, 1933.

Select Standing Committee
on Agriculture and Colonization,
House of Commons,
Ottawa.

GENTLEMEN,—Referring to the evidence which I gave before your committee on Wednesday, April 12th, in which I stated that some raw milk was being sold in the city of Ottawa, and to the statement with respect to the same subject which appears on page 611, lines 31 to 39, of the report of the meeting of your committee held Tuesday, April 18th, I wish to quote the following from the city By-law No. 6252:—

> No milk or cream shall be sold, offered for sale, or delivered for human consumption, by any person in the city of Ottawa, unless the same has been first "pasteurized," that is to say, has been treated as provided by Section 12 of The Milk Act (R.S.O. 1914, Ch. 221, s. 12). But it shall not be necessary to comply with the requirements of this section in the case of the sale, offering for sale sale or delivery of milk from cows that have been certified by a veterinary inspector not to re-act to the tuberculin injection, and which is free from chemical preservatives and disease producing organisms, and contains not more than 30,000 bacteria per cubic centimeter.

May I further state that I have this morning been in communication with the Ottawa Board of Health and am advised by them that six farmer distributors are selling raw milk in the city of Ottawa.

Yours very truly,

W. F. JONES,
General Manager.

Mr. BERTRAND: Mr. Chairman, the other day we had evidence from the Ottawa Dairy, and as one of the members I was left to understand, whether I was wrong or not, that Ottawa Dairy were paying three different prices for their milk, known as association price, sweet milk price and surplus price. Since then I met one of the producers who is sending to the Ottawa Dairy, and he gave me one of his slips which I have, and we see from this slip that they are paying four prices; in fact, they are paying to this gentleman for a certain quantity as association price $1.40, which is claimed to be for fluid milk sold

on the street, and a certain quantity paid at $1.20 per hundred pounds which is claimed to be for fluid milk sold wholesale, and then a certain quantity paid at surplus price, and a still further quantity paid at sweet cream price. Consequently, I thought it was my duty to make the committee aware that they were paying on a four price basis rather than a three price basis.

Mr. PICKEL: What Mr. Bertrand, is the cream price?

Mr. BERTRAND: From this slip here, which is a recent one although I do not see the date on it, fluid milk to be sold on the street was paid at $1.40; fluid milk to be sold wholesale $1.20; surplus milk 66 cents, and sweet cream 73 cents per hundred pounds.

The CHAIRMAN: Gentlemen, we have with us this afternoon Mr. Norman Spratt, President of the Ottawa Milk Producers' Association. Will Mr. Spratt come forward please? I understand that he has with him Mr. Innes, the secretary of his organization, and if he is here it may be convenient for Mr. Spratt to have him up here with him.

NORMAN SPRATT called and sworn.

By the Chairman:

Q. Will you give your name to the committee, and also state the position you occupy in the association?—A. My name is Norman Spratt, and I am president of the Ottawa Valley Milk Producers' Association.

Q. Proceed please, Mr. Spratt.

STATEMENT BY MR. SPRATT

It is very gratifying that the Government is considering the milk situation in Canada. It is something that the farmer has long looked forward to. It is also very essential that the public get the facts as they will in this investigation since it is not held behind closed doors. No doubt the first problem to be considered by the investigators will be the quality of the milk in the various cities. The producers of Ottawa district feel that they have a high quality of milk, otherwise they would not be in a position to demand a fair price for it.

QUALITY

The quality of Ottawa milk is controlled by very efficient Board of Health Officers, who we believe, are not excelled in any other city in Canada. The milk is carefully watched in going from the farm to the consumer; stables are thoroughly inspected at intervals during the year and all cattle supplying milk for human consumption must be T.B. tested. All milk on arriving in the city is subject to Metholine Blue test which controls the sweetness of the product. Pasteurization, while not compulsory is carried out, save in a very limited number of cases.

PRICE ARRANGEMENTS

Arrangements for the price are arrived at by an executive committee from our association sitting at intervals with the larger distributors, the smaller companies not always affiliating. Settlements are based on a gentleman's agreement. The difficulty we find is that the smaller companies, not affiliating, do not adhere to the settlement price and in some cases by this non-adherence the whole structure has been broken down. One case occurred last July when we were forced for a short period to accept 80 cents per hundred for contract milk.

ENLARGEMENT OF MILK SUPPLY AREA

In the course of the last two years smaller companies have been promoted by going out into purely cheese and butter-factory districts and selling stock at the rate of $200 per can of milk supplied. The milk from these districts has been finding its way into the city in competition with the city's regular supply, this operation going on for a short period of time to the detriment of the whole situation.

The stockholders, in some cases, not only lost their invested capital but several months' supply of milk along with it. The regular shipper also suffered considerable loss, owing to price cutting on the street and the excessively low tendering for the contract of some of our largest city institutions.

BONDING OF COMPANIES

In regard to this we would recommend, for the protection of the farmer, that all such companies should be bonded to the extent of six weeks' milk supply in order that the shipper would at least be protected for his product until settlement thereof is made.

RECENT CHANGE IN BASIS OF PAYMENT

Some few years ago, Ottawa milk was bought on the contract basis, a certain definite amount being allotted to each producer. This amount was based on his average production for three months which was usually taken in the fall of the previous year. This system stabilized an ample production of milk for the city consumption and worked very satisfactorily to all concerned. However owing to the increased competition from outside areas, which meant the flooding of our markets particularly in the summer months, the quantity of contract milk that could be disposed of at the higher price, was decreased. Out of necessity, the producer was forced to accept butter-and-cheese-factory prices for a large amount of his product which was produced under the regulations pertaining to milk produced for human consumption.

This has been further intensified until we are producing roughly 20 to 45 per cent (the amount varying in different companies) of our milk under these conditions.

The present price of milk to the producer is $1.40 for milk retailed to the householder; $1.20 for wholesale milk, and butterfat prices for the remainder. This milk is purchased under the Ontario Government regulation 3·4 basis for butterfat standard and a ·04 cent differential up or down. For instance one company paid the producer as follows:—

56 per cent of the milk at $1.40 a hundred.
14 per cent of the milk at $1.20 a hundred.
30 per cent of the milk at $ .79 a hundred.

Another company paid as follows:—

47 per cent of the milk at $1.40 a hundred.
29 per cent of the milk at $1.20 a hundred.
24 per cent of the milk at $ .79 a hundred.

We would like to state that we have no control over the quantities which shall be paid for at the higher retail price or at any other prices which enter into the agreement. Here surplus milk enters into the arrangement and to our mind surplus milk is the cause of our greatest trouble. In bygone days when butter sold in the region of ·50 cents per pound and $1.50 or more was paid for surplus milk, troubles were much more easily ironed out than under the present circumstances.

When a producer received his cheque with three different prices entered, and he finds that 35 per cent of his total supply was sold at the smallest price, namely that of the surplus milk or somewhere in the region of 75 cents per cwt., the first thought that enters his mind is: "Have I received my right proportion or is the company selling some of that cheap milk on the street?" Now the company's figures may be perfectly sound but there is cause for doubt and the result is lack of confidence between the producer and distributor.

Now we feel very strongly that there should be a return to the contract basis of payment, but if this system cannot be brought back then there should be an audit or check by a competent independent official to assure the producer that the price paid him is an a correct basis. If the producer were assured of this, a much more congenial feeling would exist between him and the company, and the company would prove that it was playing the game squarely.

SPREAD IN PRICES

With regard to the spread between the price paid the producer and that charged the consumer, I should like to state that as far back as 1914, Ottawa stood out prominently as having a very low spread. In fact, we were, at one time, about the lowest on the continent excepting the city of Milwaukee. At this particular time, there was one large company operating in the city with a few farmers marketing their own milk. The spread in 1914 was 3·5 cents.

By Mr. Bouchard:

Q. You mean four cents per quart?—A. Yes.

In 1920 we had two large companies operating with a few retail farmers delivering their own milk. The spread increased to 4·5 cents.

By 1930 we had 13 companies operating and we found the spread increased to 6·1 cents. In 1932 we reached the climax when we had in the city of Ottawa 56 different individual companies and farmer distributors delivering milk in the city. The farmers made the largest increase owing to many of them who live close to the city starting to deliver their own milk, the reason, of course, being the low price of ·80 cents per cwt. The spread in 1932 was 5·9 cents, the decrease being because of the large distributors dropping the retail price to ·08 cents per quart.

COST OF PRODUCTION

As to the cost of production, it is fairly difficult to arrive at an accurate basis since so many things enter into overhead. Mr. Innes will deal with this phase of the question in more detail. I may say however, that one could not find one hundred acres of land in the vicinity of Ottawa fit to produce milk with a lower taxation than $200. This figure increasing to $350 according to the area in which said farm is located. Now this amount of taxes along with reasonable repairs and necessary improvements on dairy farms, depreciation on dairy cattle, machinery and horses, when added to the cost of hired help and a reasonable living for the proprietor, his wife and family, present to the farmer a proposition that is practically impossible to cope with under present conditions. It is a sad condition to see some of the splendidly equipped farms in our locality being forced out of business because the total income derived from the production of milk is not in keeping with the obligations the owner is compelled to meet.

> In order that the milk producer of Ottawa or any other city may be saved from nothing less than bankruptcy, we feel that there should be appointed a milk commission such as they have in Winnipeg.

I would just state here that in connection with the convention last week; and from Mr. Sargent, who gave evidence before this committee, I am very much impressed with the situation they have in Winnipeg.

> Then, when an emergency arises, such as we had last summer, when the price of milk was going to be forced down to an extremely low level and the farmer loaded with the greater part of the drop, it shall be its duty to consider both sides of the case and see that the farmer gets a square deal.

Now gentlemen, this is all I have to say from my point of view. My colleague will go into the figures.

By Mr. Bouchard:

Q. When you referred to the spread between consumption and production —I think you gave the figures in 1914—was pasteurization in force at that time; and has pasteurization increased very much the spread between the producer and consumer?—A. Pasteurization was in force in 1914.

Q. It was in force?—A. Yes, it was in force; it was in force in 1914.

By Mr. Pickel:

Q. What is the price that the independent farmers are peddling their milk for in the city of Ottawa; what price do they get?—A. What price are they charging to the consumer?

Q. Yes, the farmers, those who come in and distribute their own milk?— A. What price are they charging to the consumers?

Q. Yes?—A. Well, by agreement with the distributors in the city, they are allowed to go one cent below for retail milk to the householder, and one cent for wholesale milk.

Q. You have no idea as to what proportion of this surplus is used for sweet cream; you had no idea about that?—A. No, I can't give you that.

Q. Just one more question, do the big companies in Ottawa all pay about the same prices? Do they seem to be pooled? Are they fellow-conspirators, really? Are they all pooled?—A. Well, I might state in answer to that that our association meets with the four larger companies in the city.

Q. And do they usually pay the same prices for distributing purposes, street sales, wholesale sales and surplus?—A. Yes.

By Mr. Bouchard:

Q. As I understand it, the great trouble is with the surplus. With the government, the trouble is lack of surplus, but with milk producers it is an excess of surplus. Have you any suggestion to offer as to how to give the farmer a square deal, as it is said, with regard to this surplus milk, or to re-establish confidence among the producers of milk? You are aware that it has been the trouble all over Canada, as far as the committee has been hearing recently. Have you any suggestion to offer as to a fair return on the surplus or a fair apportioning of the surplus?—A. Well, surplus milk,—competition seems to me to have increased the surplus; and the cheap price paid to the farmer in general brought milk from—competition came in much more keenly.

By the Chairman:

Q. Mr. Spratt, you said that the prices had been broken down largely by the entry of small companies into the business, didn't you?—A. Yes.

Q. Where do they get their milk?—A. From the outside areas.

Q. What do you mean by outside areas?—A. Well, I might state that the city of Ottawa is one city by itself; Montreal is very much the same. There is enough milk produced within twelve miles of Ottawa to supply the city of Ottawa.

Q. Fluid milk?—A. Fluid milk.

Q. There is no by-law or no provision made whereby shippers outside of that area are prohibited from shipping milk in?—A. No.

Q. Does your association control all the milk within that twelve-mile area?—A. I might say it does, except for the farmer-distributors within that area. There are a large number of farmer-distributors within the ten-mile limit.

Q. Of course, the man that is providing fluid milk alone or solely, or selling to the fluid milk market, is in a much better position than the man who is sending to the butter and cheese factory, is he not?—A. Well, that is just a matter—of course, the man selling fluid milk to the city of Ottawa, he has got to keep up a regular supply summer and winter. The man on the outside who has a cheese factory to attend to or can send his milk to the cheese factory, he depends on summer supply. His cows go dry in the fall, and he has not got to keep up a regular supply.

Q. If that were the more profitable method of handling milk, why should people want to enter the fluid market,—why should producers want to enter the fluid market? I think you will have to admit that the fluid market as it exists, even to-day, is a better proportion than sending milk to the butter or cheese factory?—A. Well, there is no question about it, the man who is selling fluid milk, he naturally will draw more money; but when it comes to a question just of profit, I just doubt it, because the man who is farther back from the city, the lower his taxes are and the less expense he has to meet.

By Mr. Loucks:

Q. We understand that the farmer,—that is the retailer or distributor, if you want to call him that—you said that he was permitted to sell one cent lower; is that by the quart?—A. Yes.

Q. What would that mean—probably eight cents a quart?—A. Nine.

Q. It would mean nine?—A. Yes.

By the Chairman:

Q. Who permits him?—A. Well, it is by agreement. The distributors, the four large distributors that we have agreements with were satisfied that the smaller man should sell at nine cents. This arrangement was arrived at in order to keep the smaller distributor up in price. If he would sell at nine cents, there would not be any kick coming..

Q. Well, as I understand your proposition, you are in favour of some such system as exists in Winnipeg where milk is under a public utilities commission. Do you think it is possible to regulate the flow of mik into the city of Ottawa or any other city, and bar out everybody after you have had a sufficient number sending to supply the market? I am just asking for the sake of getting information. We want your ideas as to what is the best way of handling this situation. How are you going to control your surplus milk and keep it out of the city?—A. Well, I agree with you, that that is hard to control, but I am strongly in favour of the public utilities board, because as I understand it they will control a fair price to the consumer and also a fair price to the producer.

Q. But I think you will admit this, that if companies are in operation here in the city, and they are obligated to pay so much to the producer, and sell at so much to the consumer, it is very possible that such a large supply of milk would be sent in to them that they could not handle it, is it not?—A. Yes, that is very true.

Q. You would have to regulate supply as well as regulate price, in that case, would you not?—A. Yes.

Q. What we want to get at is how you are going to regulate that supply,—that seems to be the most serious thing—without saying to one man: "You may send fluid milk into the city," and to the other man: "You may not." That is discrimination.—A. Well, I think if we could have a quota basis, that is a contract system of sending milk, and the regular producer really knew how much milk he was going to have to bring up, I think that that producer,—while it is not profitable to produce milk at a surplus price, that is the man close to the city, I think if the regular producer knew of just the amount of milk he had to produce for the coming year, I think it would largely get away from a large amount of the surplus milk.

Q. I agree with you, that a contract whereby the farmer has to send a constant supply the year around, seems to be the better way to handle that proposition. Now, another question I would like to ask you; you say that at the present milk prices it is impossible for the farmer to carry on, and I agree with you. What price for milk would be sufficient? Could you give us any idea of that, under present conditions—A. Well, it has been proven by figures that the cost of production is in the region of $1.50 per hundred, which is a fair—I think is a fair and reasonable cost of production. I think Mr. Innes can give you those figures when he gives you his paper; and I really think to-day that the farmer is not getting enough; that the local farmer close to the city, since his taxation is high, is not able to meet expenses.

By Mr. Pickel:

Q. Mr. Spratt, this $1.50 that you mentioned is at the farm?

Mr. LOUCKS: To the farmer; you suggested at the farm.

The WITNESS: To the farmer.

By Mr. Pickel:

Q. The cost of the production of milk would be $1.50 at the farm.

Mr. LOUCKS: Without transportation.

The WITNESS: Without transportation.

By the Chairman:

Q. I understand that in Ottawa you don't pay any transportation for milk that comes from within a certain distance of the city, is not that true?—A. Well, largely the companies lift a large amount of milk, but what milk they don't lift they pay five cents a can towards that milk. The producer makes his own arrangement with the trucks to get the milk in. One company operating in the city have no trucks whatever to lift milk. They pay five cents a can towards the cartage of the milk, and the producer makes his own arrangements; he pays the balance.

Q. You probably heard what Mr. Bertrand said about the four prices. You only named three prices. Are there four prices recognized by your association?—A. Yes.

Q. You only mentioned three, though.—A. Well, there is sweet cream comes into it, the sweet cream price, and I included the sweet cream and the surplus together.

Q. And made the average?—A. And made the average.

Q. Oh yes, I understand.

By Mr. Bouchard:

Q. What is the membership fee of your company? When was it organized, and how many members has it?

The CHAIRMAN: You mean "association."

Mr. BOUCHARD: Yes, association.

The WITNESS: Our association was reorganized in 1923.

By Mr. Mullins:

Q. What is your capital stock?—A. We have no stock.

Q. Just an association?—A. Just an association.

By Mr. Bouchard:

Q. What is the membership fee?—A. The membership fee is collected by agreement with the companies. We have a very low fee in Ottawa. They take one per cent of the cheque for one month's milk.

By the Chairman:

Q. And hand it over to the association?—A. And hand it over to the association.

Q. That is by mutual agreement?—A. That is by mutual agreement.

Q. Now, you say that you meet the four large companies and come to a gentleman's agreement. Have you any power to enforce your demands when you meet them?—A. No, none whatever, sir; just bargaining.

Q. You make the best bargain you can?—A. Make the best bargain available.

Q. Does the cost of production enter into the fixing of the price?—A. The ccst of production?

Q. Yes, do you consider that when you are fixing the price, mutually?—A. Well, it generally becomes part of the argument, sir.

Q. What is the basis on which the price is set, may I ask?—A. Well, when we meet, it is generally the company will—when prices drop on the street, competition enters; the price is being depressed on the street. We sit in and talk the matter over. There is generally a committee from our executive, and the matter is discussed from all angles, and we put up the best battle we can from our side.

Q. Now, you said surplus milk should be controlled in some way. You are not very clear as to the method. You also made the statement that the entry of a large number of smaller companies has had an effect on the price. Do you recommend or advocate a control of the number of companies, or the limiting of the number of companies that are distributing milk?—A. No, I would not say that sir, but I really think that companies starting should at least have a governing price to sell at.

Q. I understand you to say that prices have been dropping because of those smaller companies, and you went on to give statistics that the more companies entering into the distribution game, the greater the spread became?—A. Yes.

Q. You believe though, it is all right to allow as many companies as want to come in, smaller concerns, as long as they are financially able to carry on?—A. Well, I might state that up to now we have no regulations in Ottawa to stop them from coming in.

Q. I know you have not, but would you advocate such regulations? Do you think distribution could be carried on more economically with fewer companies properly equipped and carefully managed, than by open competition?—A. I think so, because there would be no overlapping on the street. The more companies there are in the city, there is no question about the more expensive the delivery becomes, because they overlap on the street. Naturally, each company, if it is of any size, will try to cover the city, and there is considerable overlapping at all times.

By Mr. Loucks:

Q. Would you say then, that you feel there should be a 50-50 break between the distributor and the producer? To start with, you know something about the cost of producing milk. I think the committee is pretty well convinced that it has not been in existence at all. Would you say, if it were curtailed, if milk was curtailed or prohibited, in regard to delivery by many companies, as you refer to, it be possible to have a greater volume and make it a 50-50 break between the farmer and the producer?

Mr. SHAVER: What do you mean?

By Mr. Loucks:

Q. Say milk is 10 cents a quart, the farmer gets 5, and the distributor 5 for delivering it to the consumer.—A. I think sir, that my statement would prove that in 1914 when there was one company delivering milk, the spread was only 3·5 at that time.

By Mr. Bouchard:

Q. What were the prices?—A. I have not got the prices for that far back.

By Mr. Shaver:

Q. I think you said there was one company in 1914. What company was that?—A. That was the Ottawa Dairy.

By Mr. Pickel:

Q. It was not Borden's then?—A. No.

By the Chairman:

Q. Was the price of the milk to the consumer any higher than it is to-day? —A. Well, it was not—we have not got the exact figures for that far back.

Q. Then you would say all the advantage of that went to the consumer rather than to the producer?—A. I think as near as I can recollect, that the price at that time was 8 cents to the consumer, and around about $2 to the farmer in the winter time.

By Mr. Pickel:

Q. You do not think a 50-50 break would be out of reason for the producer to receive?—A. I do not sir, for the fluid milk.

Q. Have you not a kind of an idea in the back of your head that you ought to get more for surplus than you do for whole milk, the surplus that they separate for sweet cream and make more money out of it than they do on the whole milk?—A. Well, I am not prepared to state, sir.

Q. It is my idea that you ought to get a 50-50 division on the whole milk, and 75 on the other. Keep up your fight for it and you are going to get it.

By Mr. Bouchard:

Q. I asked you previously how many members you had in your association? --A. About 580, sir.

Witness retired.

JOHN INNES called and sworn.

By the Chairman:

Q. Mr. Innes, you are the secretary of the Producers' Association?—A. No, probably I had better give you the reason I am here. Our association appointed a committee to lay some figures, or to make some representations to this committee, and on that committee, Mr. Spratt, the president, and myself were selected to present a statement from our association to you gentlemen; and those

statements that were given you have been approved by the committee. When you ask us our personal opinion, it may not be just in line with those statements, because they have been prepared to satisfy everybody. I have a statement, that with your permission, Mr. Chairman, I shall read.

Q. I shall ask you to speak out fairly loudly.—A. Yes.

> Mr. N. H. Spratt, President of the Ottawa Milk Producers Association has placed before you a statement touching on conditions generally in the Ottawa district. There are two or three aspects of the situation that I shall try to deal with briefly.
>
> 1. We believe that it is generally recognized that the price to the producer in this area is extremely low, lower probably than is generally known. The following is a table for 1931 and 1932.

I do not go back any farther than 1932, because that is when the break took place, and that is what we are dealing with here.

During January, February and March, the purchase price per hundredweight was $2.16 and the selling price per quart 12 cents—

By the Chairman:

Q. Let me get this right. Is that for the amount of milk sold as fluid milk? —A. Fluid milk.

Q. It does not take into account any other?—A. Just the fluid milk returns that were given to us. During those three months, the producer received $2.16 and the distributors sold the milk during that period for 12 cents a quart.

By Mr. Moore:

Q. Do you mean by that the producer received $2.16 for the whole of his milk that he sent?—A. For the amount of milk which they purchased from us.

Q. For the total?—A. Not for the total, oh no. I am dealing with what we got returns for, our wholesale milk. I will deal later on, with you permission, with the surplus but I just want to get those figures before you, because I want to deal with one factor in regard to price.

COMPARATIVE STATEMENT OF LOCAL PRICES FOR 1931 AND 1932

	1931		1932			
	Purchase Price	Selling Price	Purchase Price		Selling Price	
	per cwt.	per quart	per cwt.		per quart	
			1st rate	2nd rate		
January	$2 16	$0 12	$1 40		$0 10	
February	2 16	12	1 40		10	
March	2 16	12	1 40		10	
April	1 86	11	1 40		10	
May	1 86	11	1 40		10	
June	1 80	11	(1–12) 1 40	$0 80 (13–31)	10	$0 08
July	1 80	11	(1–12) 80	1 00 (12–31)	08	
August	1 80	11	95		08	
September	1 80	11	(1–15) 90	1 00 (15–30)	08	
October	1 80	11	1 20	1 00	08	09
November	1 80	11	1 20	1 00	09	
December	1 80	11	1 40	1 20	10	

By Mr. Loucks:

Q. Will you give us now the amount that the farmer actually received?—A. This is his net returns, without counting his surplus. We are forgetting about the surplus at this time, but we shall take it up later. This is the net return. I want to get you back to what was the stated price for a stated amount of milk, and what we are supposed to get.

It is easily seen that the drop in prices has been rapid during the last two years, but conditions are much worse than the table shows. Let us consider the month of February, 1932, with a price of $1.40 per cwt. for 3·4 per cent milk and compare it with February, 1933, for 3·4 per cent milk. On a contract of 180 pounds a day for 28 days in 1932, it would be 180 × 28 = 5,040 pounds of milk at $1.40 per cwt. = $70.56 — 5,040 pounds of milk in February, 1933, would be paid for as follows.

By the Chairman:

Q. He pays his freight out of this, does he not?—A. Not if he is close to the city.

Q. Is that actual net to the farmer?—A. Those are figures taken off a statement.

Q. Does he pay freight out of that?—A. No, not if he is within a radius of 12 miles of the city of Ottawa. He has to take it in one day a week, but that is all he contributes to it.

TABLE FOR 3·4% MILK ONLY, FEBRUARY, 1933

2,298	pounds of retail milk at $1.40 per cwt	$32 17
1,532	pounds of wholesale milk at $1.20 per cwt	18 38
532	pounds of sweet-cream milk at 78·2 cents per cwt	4 16
678	pounds of surplus milk at 71·4 cents per cwt	4 84
5,040	Total	$59 55
	Decreased return for 1933	11 01
		$70 56

By Mr. Bouchard:

Q. Do you mean a loss or difference compared with last year?—A. Difference; in other words, the way they were buying their milk under $1.40 a hundred this year, meant a decrease of 11·01 in the returns.

By Mr. Pickel:

Q. For the same quantity of milk?—A. The same quantity of milk.

In 1933 price works out at $1.18 per cwt. or 15·6 per cent less than February, 1932. Thus it will be seen that the producer under the various rates of payment in 1932 has been forced to take a substantial cut.

By the Chairman:

Q. What is the cause of the increase; is it due to larger supplies or less consumption?—A. I cannot tell. I know this, the producers are not producing as much.

Q. Are you trying to tell the committee then, that the companies are taking undue advantage of it?—A. Well, I do not know what I am trying to tell the committee, but personally I am absolutely sure of it.

By Mr. Loucks:

Q. Can you tell us just how that loss affects the consumer? Would the price to the consumer be practically the same. You cannot tell us the difference, or is there a difference?—A. There is no difference in the price—the same price.

By Mr. Pickel:

Q. Are you a producer?—A. Yes, sir.

Q. Have you any idea of the cost of production?—A. Well, no. I do not keep any figures. I have some figures here later. They are only brief and sketchy. I will give them to you.

> Let us compare the relative prices of February, 1931, and February, 1933. The producer quoted above dropped from $2.16 a cwt. to $1.18, a decrease of 45·3 per cent. The distributor dropped from 12 cents a quart to 10 cents on street sales, a decrease of 16·6 per cent. Had the decrease on the distributor been proportionate to the producers', milk to-day would be retailing at approximately 06·5 cents a quart.

In other words, if the distributors had to operate on the small return of the producers, milk would have been selling at 6½ cents a quart to-day in Ottawa.

COST OF PRODUCTION

> Cost of production varies so greatly that it is hard to get an average cost, but I shall give you the cost in one herd that I believe is fairly general. A herd of 35 cows, 31 milking producing 760 pounds of milk daily, a daily average of 21·71 pounds per cow or 7,814 pounds per cow per year.

By the Chairman:

Q. Over what period?—A. That is about his average production for the year. That averages 7,814 pounds per cow per year. That is about approximately right.

By Mr. Bouchard:

Q. Holstein cows?—A. Yes.

Mr. PICKEL: That is too much.

The WITNESS: Well, in the dairy business you have got to produce plenty. Now, I will deal with feed.

TABLE OF FEED

Pounds Daily—

475	Alfalfa hay at $14 per ton	$3.32
475	Timothy hay at $11.50 per ton	2.73
200	Provender (mixed grain)	2.00
100	Malted sprouts at $14 per ton	.70
500	Pounds turnips at $4 per ton	1.00
	Total	$9.75

> Feed costs alone for 760 pounds of milk daily are $9.75.
> $9.75 ÷ 760 = $1.28 per cwt. to producer for feed alone.

By the Chairman:

Q. That estimate, after all, is absolutely dependent upon the price of feed? —A. Well, these are bought by carload lots. That feed was all bought carlots, no cost added to the haulage.

Q. I understand that, but one year bran may be $20 a ton and the next year it may be $40; hay may be selling at $10 a ton this year and $15 next?—A. Is it not reasonable that the cost of your production should vary according to the amount of money you put into it?

Q. I agree; but it is impossible to get very far in estimating the cost of production?—A. This is not an estimate; this man actually weighed this feed out. I am giving you the actual weight. In analyzing that his feed costs alone were $1.28 a hundred. The average price paid per hundredweight retail and

wholesale to producer—$1.32 February, 1933. The average price paid per hudredweight retail and wholesale and sweet cream, milk $1.25 February, 1933. If he included sweet cream and had no surplus he would have got $1.25 a hundred, and his feed costs, as he bought in the open market—I might say that alfalfa hay cannot be bought for that to-day, nor timothy nor malted sprouts, nor mixed grain—I do not know what you can buy turnips for—that was cheap feed. Those cows were not unduly fed. They were milking well on it, and still it cost him on that figure $1.28 a hundred. Including his retail and wholesale sweet cream the best he could get was $1.25. There is no taxes or anything else included in that.

By Mr. Pickel:

Q. You make no calculation for labour?—A. Not a bit.

Q. No calculation for overhead?—A. Nothing at all.

Q. Interest on investment?—A. Nothing.

Q. Two or three hundred dollars for a herd sire?—A. Nothing at all.

Q. It costs $2 a hundred there?—A. Against that—that particular farm the taxes were over $400. The next item is "haulage". Haulage is a factor which enters quite largely into the milk situation here. Producers close to the city have their milk lifted free of charge six days a week, weather permitting. That means that if it is real stormy we have to meet them or draw it in. This area would be on the average within ten or twelve miles radius of the city limits. Those who live beyond this distance have to pay for their own haulage less an allowance of ·05 cents per can paid by the distributing companies.

The more serious aspect of this phase of the situation however, is due to the fact that the good roads and of late years the open winters have greatly enlarged the area from which our milk supply is drawn. This means that the extended area and supply which ordinarily goes to local cheese and butter factory is brought to the city.

> The result is there is an over supply to the city with consequent reduction in price for surplus milk, and the cheese factory loses some of its best patrons and eventually may have to operate at a loss or even close. The haulage situation has also been aggravated by present economic conditions. Many trucks are idle and are willing to haul milk long distances for next to nothing. Extra wear and tear on our roads is also a consideration. This easily accessible supply has been used by the distributor to lower the price of milk to the producer. We believe that if an area sufficient to supply the city were defined, say by licence under the Board of Health, which has the inspection and checking up on the producers, the result would be that:—
>
> 1. A better average return would be received by the producer.
>
> 2. The inspection could be more thoroughly and economically carried out.
>
> 3. A better quality of milk would be assured. From this area the distributor would draw enough milk to meet the demand for milk for domestic consumption. A safety margin of say 10 per cent or some fixed amount, overplus might be allowed.

Although I do not recommend it. The supply for butter could be brought in more economically in the form of cream from outside this area.

I would like to comment on the first—a better average return would be received by the producer. A man that is producing milk for domestic consumption has certain expenses and regulations, ice, and all that sort of thing, and he has a certain definite amount of milk which he has got more or less to keep up, and when he does that it means that he has got to force his cows

during the winter period more than the man who is near a cheese factory. He does not force them. With that forcing and the long milking period the life of an average milch cow—the profitable life does not exceed two years—so that at least every three years he has 50 per cent of his herd to replace, and he is only in business for milk for domestic consumption; he is not producing butter; that is not his business, nor cheese; there is no cheese factory within 20 miles, and if he meets a surplus from outside competition and the companies do not take care of it he has no other market and has to give it to them at whatever price they like to pay.

Now, you, Mr. Chairman, asked a question of Mr. Spratt in regard to the outside man coming in with milk. I would like to say for the companies, when they originally started—the small companies—they went out to the farmer that was outside this area and they told him if he put $200 worth of stock or the equivalent of that in the company they would take a definite amount of milk from him, and he bought his market at whatever price, $1.40 or $2.60, or whatever the price might be, and he was selling his milk at a good high price for a definite amount.

By Mr. Pickel:

Q. Was it not generally understood it was to exceed $2 a can?—A. Generally, yes. Now, the facts were that after operating about a year and turning in a lot of surplus milk these companies could not exist, so the poor fellow had to take whatever was offered to him—what they could handle. The consequence was that this milk was carted onto a market already supplied which never would have been if those new companies had not been started out. Now, that, I think, is the answer to, "would you be prepared to advise them not to start?" If the conditions were understood they would never have started.

The following table will show the increase in distribution and plant in Ottawa and vicinity in the last two years.

	Pasteurizing plants	Distributors
1930..	7	21
1932..	15	46

We believe that this condition was brought about by the larger distributing companies maintaining an unduly high spread; by their paying a decreasing price to the producer and by purchasing an ever diminishing quantity of milk at the price paid for the fluid milk trade. The inevitable result was that many producers were driven to distributing their own milk, and in a number of cases, some of their neighbours milk, on the streets of Ottawa.

A great deal is being heard about milk of a higher butter fat content being delivered to the consumer and the added cost of this milk to the distributor. The standard of purchase of fluid milk for 1931 was set by the provincial authorities at 3·4 butter fat with a ·04c. allowance per $\frac{1}{10}$ of 1 per cent above or below standard. For years before this standard was set, milk was purchased in Ottawa on a 3·5 per cent basis with a ·03c. allowance per $\frac{1}{10}$ of 1 per cent variation. This system was set up and insisted upon by the distributors who were quite capable of knowing what was best in their own interests. The fact remains, however, that in spite of the present basis of payment many a producer of milk with a higher butter fat content now finds himself drawing a much smaller return than under the old flat system of payment.

In other words, the decreased quantity which they are taking for fluid milk trade is wiping out any advantage over the amount they would get under the new system.

By Mr. Bouchard:

Q. Do you admit that it is a fair system in itself; would you rather be in favour of a flat basis as a producer yourself?—A. No, if I was selling all my milk and if I was producing 3·4 milk and got the regular price for it I would not be in favour. If I was producing 3·8, I would be much more in favour of it; and if it was 3·3 I would not be.

Q. Are you not of the opinion that this basis has a tendency to increase the butter fat in the milk, and so it reflects back on the herd for the good of the herd. Instead of that, on the flat basis, there would be a tendency to decrease the butter fat in the milk, or rather to let our herds deteriorate in the content; that is, the fat content would depreciate, but not the yield? When you go out to sell a cow, if it is a low butter fat producing cow don't you as a farmer find a difference?—A. I find that no man could guarantee what butter fat content a cow is going to give you.

By Mr. Pickel:

Q. And you might add, you can't tell much about what the distributor tells you about your test?—A. I would not say that, we have very honest distributors; we will take their word for it.

By Mr. Bouchard:

Q. Now, admitting that, you realize that with proper selection you are bound to improve the butter fat producing quality of your cow?—A. I am not prepared to admit that.

Q. Well, I am.—A. No, I don't think so, because I can remember probably thirty years ago the Ottawa Dairy then demanded a 3·5 standard from their milk from their producers.

Q. There are herds in Canada that have been improved by 2, 3, 4 and even by one point, just by proper selection?—A. Just how much depends on good herdsmanship and proper condition when you bring your cows in. But the fact remains that a cow that is giving you 3·8 may, the same cow, give you 3·2.

Q. Well, accidently—according to the season?—A. No, not accidently.

Q. Feed has nothing to do with it?

By Mr. Bouchard:

Q. I maintain that changing the feed has nothing to do with the butter-fat, except when you change in a period when a new feed is introduced for a period of a week or two, but on the average the quality of the feed has nothing to do with the butterfat production. It increases the yield of milk?—A. Well, in answer to that I will say that our returns show that some herds will not vary appreciably the whole year through, other herds you will find up to near 4 per cent butterfat and the same herd will go down to 3·3 and 3·4. When you say that the feed has nothing to do with it I am not prepared to agree with you, because I do know if you bring a cow in in good flesh she will give you a higher testing milk than she will if she is not in good condition.

Q. Yes.

Mr. Pickel: This investigation is not here to investigate the quality of one breed of cattle or another, or the question of feed.

By Mr. Bouchard:

Q. I think, Mr. Chairman, I am quite in order, because we are here to try to improve the conditions of the producers of milk, and when the distributors of milk are coming here and they say that they do not keep any account for the fat content of the milk, I think they are entirely wrong; and I maintain

that I am absolutely correct when I say they should organize their business so as to induce the farmer to improve his herd, that is my point.—A. Well, gentlemen, as far as I—in fact, I know that all the distributors in Ottawa keep a record of the fat content of their milk, and you are paying for it on that basis. I don't think they could do anything else under the regulations issued by the department at Toronto.

Q. Some do, some do not.—A. In Ontario?

Q. Yes.—A. They would have a hard time getting away with it in Ontario. These are departmental regulations which specifically say that milk should be purchased on a 3·4 basis, with a 4 per cent per tenth point up or down.

Now gentlemen, I may say:

> It has been extremely hard to get data to lay before this committee as our association has no complete records. Moreover individual farmers are very reluctant to divulge information, lest they get in wrong with the distributing companies. The figures quoted above, however, are based on returns of one of the largest and fairest companies operating in Ottawa. I believe they will apply to a large percentage of local producers.
>
> Speaking for myself, Mr. Chairman, I may say that in my humble opinion, the cause of much of our trouble is deeper rooted than we have so far revealed I believe it to be largely caused by:
>
> 1. The utter wastefulness of our competitive system; for example 10 men delivering milk in one block.
>
> 2. The desire on the part of individuals and corporations for excessive profits.
>
> In commenting thus, I do not mean to reflect on the management of any of our local distributors. The practice is part of the accepted order of things under our present system and all classes of society have been guilty in this respect.

Mr. Spratt pointed out that in 1914 the spread was 3·5 cents per quart in Ottawa, and with the increasing number of distributing companies, this reached a peak of 6·01 cents in 1930.

By Mr. Pickel:

Q. Those are the figures received from the distributor, you are taking the difference in price between what the producer received and what it sold for?—A. No, we are taking the spread on the price as shown in 1914, of 3½ cents per quart; and in 1930 it was 6·1 cents. Now, in that period when the milk was selling with a spread of 3·5, there was just one distributing company in Ottawa. They went out with their rigs loaded, one rig covered the streets, and they could operate quite easily.

By Mr. Bouchard:

Q. Before long we will have only one company all over Canada.—A. You may do that, but at that particular time the city of Ottawa was well served. An uncontrolled monopoly in the hands of an unscrupulous man may be dangerous, but unlimited and unrestricted competition, if kept on, would prove disastrous. That is the point I wish to make. I do not mean to say that one company is sufficient for Ottawa, but I do mean to say that the least men that can serve the people economically can return the greatest amount to the producer.

Mr. MULLINS: Mr. Chairman, may I ask a question?

The CHAIRMAN: Yes.

By Mr. Mullins:

Q. Do you use milk?—A. Yes.

Q. Both of you?—A. Yes.

Q. Do you pasteurize it?—A. No.

Q. That is all I wanted to know.

By Mr. Bertrand:

Q. Mr. Innes, in what year did you organize the Producers' Association?—Oh, it was before my time; it must be 25 or 30 years ago.

Q. The Producers' Association?—A. The Producers' Association.

Q. What were the reasons for the producers forming their organization, do you know?—A. Well, the only reason I really know was that they organized—they must have had some difficulties at that time—to help their own condition, they organized to try and deal with the milk companies.

Q. They must have had some difficulties?—A. Some difficulties at that time, and they organized to try and—

Mr. Pickel: For mutual protection.

The Witness: Yes, for mutual protection.

By Mr. Bertrand:

Q. And according to your statement, you are claiming that the spread between the price paid to the producer and sold to the consumer is too large?—A. Well now, you are getting me into a bad jam, because I could not say that. If a man, we will say, is going on the street selling 20 gallons with a horse and rig, and he is only making what the spread shows him, he is not making any money; it is not too large for him.

Q. Competition is a factor?—A. Competition comes in there, and the spread may not be too large for him at all.

Q. We will leave that aside there, I don't want to put you in a jam. May I ask you what are your relations with your association?—A. With my association?

Q. Yes, your relation with your association.—A. Oh, I think the very best.

Q. Are you an official of the association?—A. I am a member of the executive.

Q. You are one of the members of the executive?—A. Yes.

Q. Would you give us some idea of your association?—A. Well, I have a copy of the constitution here, and all that, but I don't know—

Q. You could give a brief outline?—A. I could give you a brief outline of the purposes of our association, that I think would cover what you would want.

By the Chairman:

Q. Give us an idea of your executive, Mr. Innes. I don't mean the names; but how is your association made up, and what are its purposes?—A. The purposes of the association are to promote the interests of the producer and consumer of milk.

(*a*) Improving the conditions under which milk is produced.

(*b*) Improving marketing methods.

(*c*) Standardizing the product.

(*d*) Generally by doing such other things as are necessary with respect to quality, the cost of production and distribution of milk and the return to the producer and the cost to the consumer as will promote the interests of both, and to do all things necessary therefor.

Those are the objects of the association. Now you want the Board of Directors.

The Chairman: Not the personnel, just how it is constituted—president, vice-president, so many directors; how are they elected?

By Mr. Bouchard:

Q. Do you accept only producers in your association?—A. We accept all the producers that were producing milk in 1923.

Q. And no others?—A. No, and then it says: Any person, a producer January, 1923, may become a member of this Association who is identified with the production of milk for city consumption and who conforms with the purposes and by-laws and rules and regulations of the association, and who pays the annual membership fee.

Q. Did you say 1923, or 1933?—A. 1923.

Each member shall be entitled to vote at any regular or special meeting.

The regular annual meeting of members shall be held at such time and place as the Board of Directors shall determine.

Special meetings of members shall be called by the Secretary upon direction of the Board of Directors, upon reasonable notice.

The Board of Directors shall consist of so many members made up of the representatives from local clubs.

Now, I may say that in our association we have a club in each district, a local club, and they select their officers and send representatives according to the number of members they have to the head executive, and each member that they send in are members of the executive, or in other words, termed directors.

> The officers of the association shall be a president, first vice-president, second vice-president, secretary and treasurer, who shall be chosen by the board of directors, each for a term of one year. Vacancies in any office may be filled by the board for the unexpired term.

Now, as I explained to you, I do not think you need much more of this, the powers and so forth of the board of directors, the annual report, and all this. The board of directors are those representatives that have been selected by the local clubs which have organized in each district, and they form our executive along with the president.

By Mr. Bouchard:

Q. The general executive—have you a small executive? Have you just a general executive composed of the directors, everybody out of each community? —A. No, we have an executive—I guess Mr. Spratt would be better able to tell you—of I would say roughly about twenty-one. You see, every club sends in one or two members.

Q. Well, it is not an executive; it is just the board.—A They are the board.

Q. Yes; you have no executive, what we call an executive?—A. The executive shall consist of the president, the first vice-president, the second vice-president and secretary and treasurer. Those officers are all appointed by the representatives that have been selected by the clubs. There are no outside directors or officers.

By the Chairman:

Q. Did I understand you to say that nobody but a person who was a member of the club in 1923 could join?—A. At that particular time. The reason that reads that way was in 1923 it was organized and they took in every producer at that particular time that was producing milk for city consumption, and then every man afterwards that wished to come in and pay his fees and become a member.

By Mr. Bertrand:

Q. May I ask then, have you a paid executive?—A. No.

Q. Well, I suppose the directors, these people selected by the different clubs are not paid?—A. No.

Q. But your executive is paid?—A. No.

Q. Well, the secretary, the president?—A. Well, we give them a small amount at the annual meeting.

By Mr. Pickel:

Q. You have no watered stock, Mr. Innes?—A. No watered stock.

By Mr. Bertrand:

Q. Do all these people work for nothing?—A. Absolutely.

Q. Just for the sake of—.—A. Their fellowmen.

Mr. PICKEL: Sure, they are accustomed to it.

Mr. BERTRAND: I know it.

By Mr. Bertrand:

Q. In so far as the small executive is concerned, taking in your chairman, vice-chairman or vice-president, and the secretary treasurer, all these people are working for nothing?—A. For nothing.

Q. Except a certain bonus?—A. Except whatever bonus is given at the end of the term.

Q. At the end of the year. Are you a farmer yourself?—A. Yes, but I ain't a politician.

Q. Mr. Spratt is also?—A. Yes.

Q. May I ask you, would this organization which is paying no salary to anyone of your directors, or practically nothing but a bonus to the executive,—

Mr. PICKEL: The secretary.

By Mr. Bertrand:

Q. —you are just paying the very same prices, I understand, as are prevailing in Ottawa at this time and in the past; may I ask you if your association has been a profit making institution?—A. Well now, you have got me cornered again. I think I may safely say yes, in this way, that through the efforts of the association, that they have been able to get larger returns for the producer than they would have got without.

By Mr. Bouchard:

Q. But that is not profits; it is services.—A. No? It is quite a profit to the man who is selling his milk.

By Mr. Bertrand:

Q. I can't see where the profits would be coming for the producer at the present time.—A. Not to the association, but to the individuals.

Q. To the individuals?—A. Yes, every member.

Q. Were you not in the market then, do you claim that the price paid by the other companies would not be as large to-day to the producers?

The CHAIRMAN: Mr. Bertrand, this is purely a producers' association. They don't distribute at all.

Mr. BERTRAND: How do they dispose of their milk?

The CHAIRMAN: Oh, they don't.

Mr. BOUCHARD: Just the individual member.

The WITNESS: Mr. Bertrand, I think that that question should fairly be asked the distributors.

Mr. BERTRAND: Well, I beg your pardon, Mr. Innes; I was under the impression that you were distributing milk in the city.

The WITNESS: No, we are not.

The CHAIRMAN: Any other questions, gentlemen?

Mr. PICKEL: Yes, Mr. Chairman, I have just got a couple of short ones.

By Mr. Pickel:

Q. Mr. Innes, don't you think that the truck has depreciated the price of milk in the city?—A. I am sure it has.

Q. Lots of farmers outside who were making cheese or making butter a long distance away from the city, who would not take the pains to send their milk in to the city or who would not get up early enough in the morning to put it on the train, are catered to by trucks. They go and get it, and so bring a large quantity into the city. What are the names of the large dairies in Ottawa?—A. Well, there is the Ottawa Dairy, the Producers, the Central and Clarke's. They are the four large dairies in the city of Ottawa.

Q. Are all of those companies paying the same prices?—A. Well, now—

Q. I would suggest to you, Mr. Innes— —A. Remember, I am on my oath.

Q. Yes, I know.—A. And I am not a director of any of those dairies, but I will say this, that according to their producers they are not.

Q. Which ones are?—A. I don't think I will answer that, with the Chairman's permission. That is a leading question, and I don't think it is fair.

Mr. PICKEL: Well, never mind.

By Mr. Pickel:

Q. Mr. Spratt in his evidence said that the price that you received for your milk was as a result of a conference between the producers and the distributors?—A. Yes.

Q. On sort of a gentlemanly agreement; on which side of the gentleman? —A. Well, I will tell you frankly, if you were sitting in—

Q. Is it not a fact that you take just about what the distributors say every time? I know they do in Montreal.—A. Well, yes. When you asked me that, I was going to say that if you attended some of our meetings, you would wonder where the gentlemen were. However, I think that in the final analysis, that they may give way a little bit to us.

Q. Just a little?—A. Yes.

Q. And you give way a great, great deal?—A. Yes.

Q. Sure.

Mr. BOUCHARDS: You must ask as well on what side is the agreement.

Mr. PICKEL: A mutual agreement.

By the Chairman:

Q. You have given us everything, Mr. Innes?—A. All that I think touches on the producer, as far as I know, Mr. Chairman. If we had known sooner, probably we would have got some of our men to give some definite figure with regard to the cost of production.

Q. Could you give the committee any information regarding the question or two that I asked Mr. Spratt, or at least give us your own opinion as to how we could control the supply of milk coming in to the city of Ottawa?—A. How you could control it?

Q. Yes; have you any definite idea?—A. Yes. As I said in my report, as you are aware about the milk situation, the more you extend it, the more you disrupt the dairy business in all that country. If you disrupt the cheese factories and butter factories and everything else, by taking the milk, which naturally goes to those factories, away from them, those people close in that have had their cheese factories, close them down because there is no other

market but to sell to the dairies; it is their market, and they have been selling a decreasing amount for the last good many years. There is no place for him out there to wholesale milk except to the dairy companies. I did suggest this, that if our local board of health would only issue licences sufficient to cover what milk was actually needed for domestic consumption, with a percentage for farmers, and the dairy companies could only buy from those people, and put that up to the board of health, that no farmer or anybody else would benefit by it; even under the control of the board of health, they have to inspect them; they are under their control. If they did that, and the producer had to confine his buying to that area, I don't care where it is, then the condition would rectify itself, because if a man close in could not sell his milk to the city of Ottawa, he would promptly get the cheese factory established, and he would go out of the wholesale milk trade for domestic consumption. He would not be putting up big plants, ice houses and everything else to cool his milk to supply a trade that he didn't have.

Q. Do you advocate, as Mr. Spratt did, that a public utility board should set prices?—A. Mr. Chairman, I have not been reading the account carefully, just slightly, but it seemed to be worked out very satisfactorily in Winnipeg. I do say that I was a little surprised that the producers were not on that board, or the distributors. It was only producers and consumers that were on it. They went a little further there than I hope they would, because they set a definite amount of spread, and any man that liked to go into the milk business then could go in, if he made it pay; and if he didn't make it pay, he would stay out. I really am in favour of that, but I do think even with a board, that the board of health should say where they get their milk.

By Mr. Pickel:

Q. Mr. Innes, you are a practical dairy man?—A. Yes.

Q. From your experience, don't you think that $2.50 is nearer the cost of production for a hundredweight of milk than $1.50? You say it is practically one dollar—what was your figure you gave, $1.28?

Mr. BOUCHARD: $1.50.

The CHAIRMAN: $1.28 for feed.

By Mr. Pickel:

Q. $1.28 for feed; are you taking into consideration labour?—A. Yes.

Q. And overhead; overhead means a great deal, it is a big investment, and it is certainly a good deal more than $1.50, is it not?—A. I will say it is. The trouble is this, that no farmer or dairyman ever figures depreciation or overhead into his business.

Q. Well, don't you think that to-day a good many farmers don't want to know just how they do stand?—A. Well, all they have got to do is go to the bank and they will tell them how they stand. It would be a great relief, even $1.50 for the quantity of milk which you are producing. But I do want to stress this again, that if you are selling a large part of your milk which is produced for domestic consumption as surplus milk, then you had better get out of the milk business.

Q. Sure.—A. At any price.

The CHAIRMAN: Anything further?

Mr. LOUCKS: I have no question to ask, but I do feel that to-day we have received in evidence something superior to what we have been getting, from Mr. Innes. I think that as a farmer—

Mr. PICKEL: The two witnesses.

Mr. Loucks: Yes, the two witnesses here to-day. As a farmer myself, I want to compliment Mr. Innes and the other witness on the evidence they have given here to-day. I can attribute it to nothing else but because they are practical men themselves and they know something of what they are talking about. I don't know if the committee agree with me or not. Mr. Chairman, there was just one time when I noticed Mr. Innes drop his countenance at all, and that is when he was asked if he was a natural producer himself. I don't wonder at it. I don't wonder that we farmers have to drop our countenances—I might have dropped mine if I had been asked the same question—owing to the prices they are forced to take. I want to thank the witnesses.

The Witness: Mr. Chairman, in explanation for the dropping of my countenance, I would like to say that most of my friends take me for a politician.

The Chairman: If there are no further questions, the committee will stand adjourned until to-morrow at 10.30, when Mr. Hogg, from Montreal, will be here.

The committee adjourned at 5.20 p.m. until Tuesday, April 25, at 10.30 a.m.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 25, 1933

No. 21

Reference,—Milk and Milk Products

WITNESS:

George Hogg, President, Guaranteed Pure Milk Co.

Appendix "B"—Document filed by Witness.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,
Tuesday, April 25, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard Bowen, Bowman, Boyes, Butcher, Cayley, Coote, Dupuis, Gobeil, Jones, Loucks, McGillis, McKenzie, Moore, Mullins, Myers, Pickel, Senn, Shaver, Simpson, Stirling, Tummon, Weir (*Macdonald*), Wilson.

Mr. George Hogg, president of Guaranteed Pure Milk Company, Limited, Montreal, was recalled and examined.

Witness retired.

The meeting adjourned till Wednesday, April 26, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons, Room 231,
April 25, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The Chairman: Gentlemen, if you will come to order, we will ask Mr. Hogg to take the stand again.

George Hogg, recalled.

By the Chairman:

Q. Is your secretary with you?—A. Well, yes, one of our men. I don't require him, I think. If I want him, I will have him.

Q. You will remember that you are still on oath.

Mr. Tummon: He is a little deaf, Mr. Chairman.

By the Chairman:

Q. I say it won't be necessary to have you take the oath again. You are still on oath; you realize that. Have you any further statement to make, Mr. Hogg?—A. No, no statement.

By Mr. Tummon:

Q. Mr. Hogg, there are a few points in connection with your evidence before that I would like to get straightened out, if we can.—A. Talk up for me, will you please?

Q. All right; I say that there are a few points, in connection with the evidence that you gave the last time, that I would like to get straightened out if we can. Can you give us to-day, Mr. Hogg, the total pounds of fluid milk that you purchased in 1932?—A. I think I can, yes. In 1932 we purchased 35,739,069 pounds.

Q. According to your evidence before, 88·1 per cent of that was purchased at the association price?—A. That is right.

Q. And 11·9 per cent at the surplus price?—A. That is right.

Q. Can you state to-day the average cost price per 100 pounds of the association milk?—A. Of the association milk?

Q. Of the association milk, yes, for the same period?—A. Mr. Low, I think you might come up; you would help to guide me through this thing. What was your question, Mr. Tummon—the amount we bought at the association price?

Q. No, the average cost per 100 pounds of the association price milk?—A. Yes, $1.52\frac{1}{2}$.

Q. What is the average cost?—A. $1.46\frac{1}{2}$. That is all milk.

Q. And the average cost per hundred pounds of surplus milk?—A. $1.02 per cwt.

Q. That is purchased at the factory, f.o.b. your factory?—A. F.o.b. the railway station, Montreal.

Q. If it came in by truck, I presume at your factory it would be?—A. We bring practically nothing in by truck. Ours all comes in by rail.

Q. All right, f.o.b. Montreal?—A. Yes.

Q. Now, I presume that all the milk purchased at the association price was disposed of as fluid milk?—A. Yes, that is quite right.

Q. Can you give us to-day definitely the average cost per quart of that association price milk at Montreal?—A. 391—0391.

Q. 0391?—A. Yes.

Q. That is 3·91 cents per quart?—A. Yes.

Q. You said the last day, or we figured it out that the average cost for your milk was 3·65; that was based on your average price of $1.46 per hundred pounds?—A. What did you say, Mr. Tummon?

Q. The last day when you were here you said the producers' price would be $1.46 less transportation; that was the average for association and surplus?—A. That is right.

Q. And it was figured out at 3·65 cents per quart?—A. The price paid per quart for all milk was 375.

Q. 375?—A. There is a little difference, because the last time I had so little time that the thing was hurriedly got up—or $3\frac{3}{4}$ cents a quart.

Q. That includes association and surplus milk both there in that price per quart?—A. Yes, exactly.

Q. Now, what was the average selling price in 1932, Mr. Hogg, for the association price milk?—A. The price received for milk sold by the quart was $8\frac{4}{5}$ cents per quart.

Q. $8\frac{4}{5}$ cents?—A. Yes.

Q. That would be 8·80?—A. 0888.

Q. 0888; it would be 0880, would it not?—A. Well, it figured out to 0888 or practically $8\frac{4}{5}$.

Q. You purchased your milk at the same price practically as the other dairies who were dealing with the milk producers here?—A. Exactly yes.

Q. You were selling in the same market, weren't you?—A. Well, not altogether, because there is some difference. You see, it all depends how it is sold. It was sold in different ways, and of course, that would make some difference.

Q. But it was all sold in the Montreal market, and you were all maintaining a certain retail price there?—A. For the retail market, yes.

Q. I think if I remember correctly, the last day you said something over 60 per cent of that quantity was sold at retail prices?—A. Here it is, Mr. Tummon. It was sold as follows: 63 per cent retail, four per cent to stores, one per cent to charity, 10 per cent to restaurants, 22 per cent to manufacturing.

Q. 63 per cent was sold at retail prices?—A. Retail prices.

Q. At the maximum price per quart that milk was selling at in Montreal?—A. Yes, at the going price.

Q. Now, I am not just altogether clear on those figures, why the three other largest plants in Montreal had an average selling price of 10·41 and 10·53 and 9·68, while you had an average selling price of 8·88 or 8·80?—A. The percentage that would be sold for manufacturing purposes and to other dealers, I suppose, was larger.

Q. My recollections are that some of them were not as large?—A. Were not what?

Q. My recollections are that some of them were not as large to the retail trade?—A. Well, I don't know about the others. All I can answer you is what we done; and these figures that I am giving you are absolutely accurate, sir.

Q. All right, we will take them as being accurate.—A. I won't undertake to answer for others. I won't be my brother's keeper.

Q. No, but at the same time, I was trying to find out why there was the difference.—A. If you will only come down and work among us for a while, we will be glad to show anything we have got, so you will get the thing right there; but I can only answer for our company.

Q. Perhaps you and I might talk that over after the meeting is over?—A. That will be fine.

Q. And see what you would pay, you know. All right, we will take your price as being accurate, according to your books, of 8·80 or 8·88, as the average selling price for the association milk. Now, will you tell us what the spread was per quart, the spread between the net purchase price or the average purchase price and the average selling price of association milk?—A. The actual spread of milk which was purchased at the full association price, plus premiums, and sold as fluid milk was 0495 cents.

Q. Now, Mr. Hogg, will you try and account for that spread? What makes up that spread? In other words will you break it up?—A. In what way, Mr. Tummon?

Q. Well, how did you arrive at that spread; what entered into that spread? I presume you have factory costs—A. Yes. I think I gave that the last time I was here.

Q. You gave it in percentage of hundred pounds, but I was wondering if you have it broken up so that you can give it in quarts.—A. We can't. We have not got it. We have our financial statement which shows the different costs on our total operations.

Q. That financial statement is printed.

The CHAIRMAN: Page 437.

By Mr. Tummon:

Q. It is printed in No. 12, pages 436, 437 and 438. Take 437; have you got a copy there of that?—A. Now, coming down to the dairy charges and expenses, $7,260.41; I presume that enters into the spread, Mr. Hogg, practically all those items?—A. All those items enter into our expenses.

Q. Yes, from there to the bottom of the page.—A. From there to the bottom of the page, yes.

Q. Now, can you say that all those expenses mentioned in those two paragraphs there were charged to the distribution of fluid milk or not?—A. It was charged to the running of the whole business.

Q. To the running of the whole business?—A. Sure.

Q. Then when you arrived at the spread per quart of the fluid milk, you took out of those items a certain amount to arrive at that spread?—A. No, we took the cost of our milk, and the sales of our milk.

Q. You have given that.—A. And that is the difference, with the number of quarts we sold divided into it.

Q. You divided that into the total charges of your factory?—A. Divided that into what was left to get our spread, what we sold it for, what we paid for it and the number of quarts sold divided into the balance is what your spread is.

Q. I don't know that I just get that altogether correctly?—A. We sell milk for eleven cents, and we pay five, for instance; the difference is the spread.

Q. Then you don't sit down to figure out how much of these charges went into the spread at all?—A. No, sir. Our business is all run together, our delivery charge for milk, cream, butter and eggs are all in these charges.

By the Chairman:

Q. You don't segragate them at all?—A. No, sir. You know, Mr. Tummon, since we have been carrying on our business, we never expected a minute inspection of this kind. We were carrying on our business in the same manner as we have been doing for years, just as any of you gentlemen would do. We have not been splitting hairs.

The CHAIRMAN: No; I will agree with that.

By Mr. Tummon:

Q. You have not been which?—A. Splitting hairs.

Q. I have come to the conclusion that you have not, or you would have taken these cost charges here and divided them into the spread.—A. I want to say to you, Mr. Tummon, that I don't know what business you carry on, but if you were to be pulled up, as we have been, and be asked these questions, to divide your business in the same way that you are asking us to divide it, you would be somewhat hard put to do it.

Q. Well, I can tell you Mr. Hogg, that I have been keeping cost accounts, and I can take you into a business where every part of the cost of that is put to the different items.—A. Well, we have not shown it.

Q. And I say here, that to simply take the cost price per quart and the selling price per quart and say that is the spread, and not charging up directly all your cost accounts of your factory, that I cannot tell and this Committee cannot tell, how much of the actual cost of operating your factory is charged to the fluid milk. All right. You can't say whether all the costs of pasteurization is charged to your fluid milk?—A. Everything is charged to the business, Mr. Tummon. We bought so much stuff, so much milk, and we sold so much milk and cream and butter and eggs, and that was on one side, and the charges were against the other, and what was left is what is shown in our balance sheet.

Q. Well, Mr. Hogg, in order to be fair to you, I wanted to bring out the point that you were not charging all the costs of your factory and distribution and other things up to the spread of fluid milk. That is the point I am making. —A. We charge it up to the cost of our business. I can't say anything else than that.

By the Chairman:

Q. Do you mean to say, Mr. Hogg, that you have been carrying on business for years, and that you don't know whether you are making a profit on your sweet cream, for instance—whether you are making a profit on your butter sales or your cream sales or your ice cream, that you lump them all together, and just go haphazard?—A. Well, Mr. Senn, our statement shows whether we make a profit or not.

Q. I would think that a company that has been as successful as yours would know whether they are operating some of these side lines at a loss or not? —A. Mr. Chairman, I have always felt that you can go so far in working out the details of a business, and when you get away beyond that, you are just running into costs that give you practically no results. That has been my opinion, and it is on that basis that we have run our business.

By Mr. Dupuis:

Q. If you will allow me just on that point, Mr. Chairman—I am of the same opinion as the Chairman. I can't understand that a company like yours—in good faith I am putting the question—will not seek to find out if on any one special item of your trade you are making a profit, or you are making a loss, and that your books are not so arranged that you could find that out at the end of one year. Is that what you mean, that you put it all together in a basket, and out of it you get profit as a whole, that you don't care if you lose on one trade, if you lose on milk or if you lose on eggs, or if you make money on other branches? You don't care about that, is that what you mean?—A. I don't mean anything. I have not made any such assertion.

Q. Be fair to the committee.—A. What I am trying to tell you is that this has been our system of running our business, and all we can give you is the facts as they are. I can't go into what you think I ought to do, or what somebody else thinks. We have not been doing it.

By Mr. Bouchard:

Q. Do you think that you show a great respect to this body of men who compose this committee in telling these things to this committee, that you have the whole thing as a whole and that you don't care about making a profit on a special branch?—A. If you will tell me what you want, anything you need we will give to you.

Q. This gentleman is asking you how much profit you are making on fluid milk?—A. Then I said, I can't tell you that.

Q. You can't tell us?—A. I can't.

Q. I think the committee should find out if they really want it.

By Mr. Tummon:

Q. Mr. Hogg, with all due respect to the controversy that has developed, in 1932 you had a gross trading profit of $223,776.92?—A. Where is that?

The CHAIRMAN: At page 438.

The WITNESS: A gross trading profit of $223,776.92.

By Mr. Tummon:

Q. Yes, and after you deducted depreciation of $78,023.27 and bad debts written off of $7,828.42, these two items making $85,851.69—to which amount you added again on motor vehicles sold or traded $156.30 you had a net profit of $138,081.53?—A. That is right.

Q. Then, you tell the committee do you that you don't know how much or what part of your business paid?—A. Oh, no, I didn't tell you anything of that kind, Mr. Tummon. Really, gentlemen, I want to give you all the information that you want, but it is not any use of my looking wise and trying to tell you something I don't know. Now, if we go into it, I have a good many figures here; if you would just specify what you want we will see if we can work it out.

Q. Well, I wanted to find out if I could, the point that I was after Mr. Hogg, was to find out how much of your costs as shown in these last two paragraphs on page 437 was charged to fluid milk distribution?—A. Well, Mr. Tummon, believe me when I tell you that I am not able to tell you that. I am not able to tell you, so it is not for want of respect to this committee, gentlemen. I will tell you anything I can, but I can't tell you something I don't know; and you would not want me to go into spread, to talk about things I don't know anything at all about. I can't tell it.

Q. Well, you could furnish that, Mr. Hogg?—A. I am not able to furnish it, I can't furnish it because we haven't got it.

Q. Then when you say that the spread between the cost price of fluid milk at your factory and the average selling price is 4·95 cents, you can't tell the committee whether or not in that spread you made any profit or not?—A. Yes, we made a profit, but I will tell you Mr. Tummon, there is a large part of that milk, the milk that went to other dealers and milk that was sold for manufacturing purposes—in my own heart I believe we handled that for the producers at no profit. Where we did get our profit, Mr. Tummon, was out of the milk that we were selling at 10 and 11 cents a quart.

Q. Yes, I understand that?—A. But I haven't got the figures to report that; but I might say about this, if we had a surplus of milk and a brother dealer needs it and he gets it at almost what we pay the farmers for it there is no doubt we are not making money on that. I think you will admit that.

Q. I can understand that. Well, at any rate, of that 88·1 per cent of fluid milk that you purchased, that is all accounted for in what we have been going over, the retail the wholesale and to restaurants and suchlike?—A. Yes.

Q. Now then, 11·9 per cent of the fluid milk purchases you say was surplus?—A. Yes.

Q. For which you paid an average price of $1.02 per hundred pounds?—A. That was it, I think, yes.

Q. Now, can you tell the committee, Mr. Hogg, what you do with that surplus milk?—A. Yes, it was separated.

Q. For what purpose?—A. It was either churned, or made into cream.

Q. Sweet cream?—A. Sweet cream if we required it, butter cream if we did not.

Q. Have you the quantities of that 11·9 per cent that went into butter and the quantity that went into sweet cream?—A. No, we haven't got that.

Q. Would it be possible for you to furnish it?—A. No, it would not be possible.

Q. There is nothing on your books to show it?—A. No.

Q. You have nothing on your books to show for it?—A. No, nothing to show for it.

Q. You can't state how it was broken up at all?—A. Not a thing. We had this 11·9 of surplus milk and it had to be handled.

Q. Of course, what part of it went into butter was simply cream and churned and sold as butter, that is what you meant to say?—A. Yes, exactly.

Q. That portion of it went into sweet cream, how did that go into the sweet cream—how was it put into the cream?—A. It is all sweet cream, the surplus milk is all sweet cream.

Q. Yes.—A. You know, Mr. Tummon, we are taking in fairly large quantities of cream.

Q. Sweet cream?—A. Sweet cream.

Q. In addition to the surplus?—A. Yes.

Q. Yes, we understand that, or suspected that?—A. We brought in—perhaps just to answer that—we brought in in sweet cream 538,453 pounds of sweet cream.

Q. Pounds of sweet cream, or pounds of butterfat?—A. Pounds of butterfat.

By the Chairman:

Q. At what total price?—A. Oh, at $129,715.12.

By Mr. Tummon:

Q. Have you the number of pounds of cream there too; you have given us the pounds of butterfat, the pounds of cream has a relation to butterfat, you know?—A. No, it is all in butterfat.

Q. I see.—A. You see, we bought on a butterfat basis.

Q. Yes, and there has to be so many pounds of cream in order to figure out the pounds of butterfat?—A. Exactly, it all depends on the price you give, but we haven't got that.

Q. What I am interested in now is the portion of surplus milk that goes into sweet cream, Mr. Hogg. You separate your cream, that sweet milk that comes in as surplus, and a certain proportion you said went to the cream trade?—A. It would either go into the sweet cream trade or into the butter trade.

Q. Yes, but we are agreed on the point that a certain percentage of it went into the butter trade?—A. Yes.

Q. We understand that now that is the proportion that went into the sweet cream trade?—A. Yes.

Q. How did you actually use it, can you say?—A. I can't tell you.

Q. Well, do you skim it and sell it as sweet cream?—A. That might quite be, yes. You see we bring it—it comes in among all the rest of the butterfat that we have.

Q. Yes.—A. And that cream is used, whether it is used for butter or for sweet cream or for sale on the waggons—we don't segregate it, we don't keep it separate.

Q. About what average is the sweet cream that you buy?—A. How do you mean, Mr. Tummon?

Q. What average of butterfat?—A. Well, we get it at all—it may be 22, or it may be 40 or 45 per cent.

Q. 22 to 45 per cent?—A. Yes.

Q. How many grades of sweet cream do you sell, Mr. Hogg?—A. We sell cereal cream 10 per cent; table cream 15 per cent; heavy cream 30 per cent; and whipping cream 20 per cent.

Q. The table cream is 10 per cent?—A. No, cereal cream.

The CHAIRMAN: That is what you call half and half.

By Mr. Tummon:

Q. That retails for?—A. Sixteen cents per pint.

Q. Sixteen cents a pint?—A. Yes.

Q. The next cream you call table cream?—A. Yes, table—15 per cent.

Q. And it retails at what price?—A. Twenty cents.

Q. Twenty cents, was that in 1932?—A. I don't think it did in 1932, these are the present prices, Mr. Tummon, what we are selling at. It was selling in 1932 at 30 cents.

Q. That is, what is selling at 20 now was selling for 30?—A. Was selling for 30, yes.

Q. And what was selling at 16?—A. Oh, well, we were not selling that at all. There was no cereal at that time. That is a new departure.

Q. Then when you say pints of cream at so much that means your 20 cent cream, or it might be 30 cent cream in 1932—.—A. Yes, sir, 30 cent cream in 1932.

Q. When you said pints of "X" cream, what did you mean?—A. That was selling at 40 cents in 1932.

By Mr. Pickel:

Q. Is that 30 per cent?—A. Thirty per cent, yes.

By Mr. Dupuis:

Q. What kind of cream?—A. Thirty per cent butterfat.

By Mr. Tummon:

Q. And you double X cream?—A. That was 35 per cent in 1932 and it was selling at 50 cents.

Q. At 50 cents a pint?—A. Yes.

Q. Now, these prices still held good up to 1931, did they not?—A. No, not quite as long as that, if my memory serves me it was about December 1st, up until December 1st; but then I am quite willing to allow the whole of it up to the end of the year—but speaking from memory I think the prices change about December 1st.

Q. Well, the reason I am asking you, Mr. Hogg, is this; that I have before me a copy of your bills, your invoice to a certain householder in Montreal as of January 31, 1933?—A. You see, Mr. Tummon, I am speaking from memory and it is a little hard. If you have a bill from one of our householders it is right, so we will admit that.

Q. All right then, we will take it at that?—A. It is quite all right if you have one of our bills, that is right.

Q. The point I am trying to come at, Mr. Hogg, is this; you can't tell how much of that surplus milk went into sweet cream?—A. It all went into sweet cream, it was all separated.

By the Chairman:

Q. The sweet cream sales?—A. No, I can not tell you; I am not able to tell you.

Q. You are not able to tell that?—A. No.

Q. But there was a certain amount did go out?—A. Yes, we will admit there was, yes.

Q. Supposing you had 45 per cent cream and you wanted to bring it down to 35 per cent, what would you do?—A. Well, you would break it down with milk.

Q. With some of the surplus milk?—A. No, sir, not any of the surplus milk. Now, Mr. Tummon, I want to make myself absolutely clear on this matter. Now, we are not trying to get around anything. I want to tell you that we have lived and done just as clear as we know how, and I don't think that there is anyone that has appeared before you gentlemen yet that has had a smaller amount of surplus milk than we had.

Q. No.—A. That was not all the milk we separated, there are thousands of gallons, off our waggons that is dumped and made into surplus milk. We have never penalized the farmers for one iota of that. This 11·9 per cent of milk that we have separated was the amount that we actually took from them and separated.

Q. All right?—A. Now, I want that absolutely cleared up. I am not trying to hold or do anything.

Q. No, now you have made a nice speech and we are quite satisfied?—A. I feel strongly and if I get waked up there may be a few more, and I want that understood.

Q. I asked you that question because you could not tell me the quantities that went in, and I was trying to find out where that surplus went to?—A. I can't tell you.

Q. And even though you make quite a few speeches like that it is not going to deter me one minute from putting my questions to you?—A. I don't want to, go right to it.

Q. I intend to. You say then, that none of the surplus milk was used for breaking your cream down?—A. Not one drop.

Q. But it was used to be sold as sweet cream?—A. If it was sweet cream and we needed it it would be taken for that, yes.

Q. And if you sold that milk that you made into sweet cream which you sold at 30 to 40 and 50 cents per pint, wouldn't you be making out of that milk just as much as if you sold it as milk?—A. No, sir, we would not, and let me tell you more than that, the milk we skim in our plant and pay the farmers for is the dearest cream that we have.

Q. It might be dearer than what you would buy in the country; that is not answering the question?—A. Sure it is.

By the Chairman:

Q. Just while you are waiting, I would like to know what you pay for that cream in the country, that you buy on a flat or butterfat basis?—A. You mean all the surplus?

Q. The cream that you buy in the country; you pay for it on a butterfat basis I suppose?—A. Yes. In 1932, Mr. Chairman, in January we paid 26

cents; in February 26 cents; in March 29 cents; in April 24 cents; in May 21 cents; in June 20 cents; in July 21½ cents; in August 22 cents; in September 25½ cents; in October 25 cents; in November 25 cents; and in December 25 cents.

Q. The figures you gave show the amount of money that you paid for that cream, Mr. Hogg?—A. Yes.

Q. Can you tell us what you sold it for?—A. Yes, it is right here.

Q. I mean, the cream that you purchased at butterfat, can you tell what you sold it for?—A. Here is the cream sales; we sold in cream $350,892.34.

Q. That is the total of the sweet cream?—A. That was the cream sales.

By Mr. Bouchard:

Q. At what price for the butterfat?—A. That we sold at?

Q. Yes?—A. Oh, at all prices; it all depends where it was going.

The CHAIRMAN: That would include sweet cream that you took out of the surplus milk.

By Mr. Bouchard:

Q. Could you make—A. Oh, well, here it is: for all our cream, wholesale and retail, we received 23·21 cents per pint.

Q. Yes, but how does it compare with the butterfats, for instance could you show that by a gallon of cream, 45 per cent—what you call whipping cream?—A. Yes.

Q. What is the retail price for that?—A. Well you see, you sell cream at any standard that the people want.

Q. Yes, I know that?—A. And it would just depend upon the quantity sold, or the quantity taken, what the price would be.

Q. Yes, but at the retail price?—A. At the retail price—what is our retail price on cream.

Q. What would be the price of a gallon of this cream at 45 per cent?—A. You are having us working it down into pints and half-pints, and we would have to work it up.

Q. Yes, it is very easy, give me the pints—or, give it wholesale for the gallon?—A. What is that?

Q. Take a gallon of 30 per cent?—A. We got 23·21 cents per pint, so it would be eight times that.

Q. Yes.—A. That would be $1.84.

Q. $1.84?—A. That would be 40 per cent cream.

Q. How many pounds of butterfat in that?—A. There are 10 pounds of butterfat, about, in a gallon of cream.

Q. In 10 pounds, about 4 pounds of 40 per cent at that content?—A. There is 10 pounds in a gallon of cream.

Q. But how many pounds of butterfat in a 40 per cent gallon of cream—I understand that a gallon of cream is not 10 pounds?—A. It would depend on the density of the cream.

Q. I know that?—A. Yes, perhaps you know more about that than I do, and it would be perhaps easier for you to figure it than for me.

Q. No, you have the figures there, why not work it out?—A. I was ordered, Mr. Chairman, to bring this in pints and half-pints; which I am doing.

Q. Yes, but let us figure about 9 pounds, and if it is 40 per cent cream it leaves at the most 4 pounds—less than 4 pounds of butterfat—of 45 per cent butterfat, let us say, at 25 cents?—A. Is worth what?

Q. At 25 cents that is, about the cost price?—A. It is worth, you say?

Q. Worth 25 cents a pound butterfat?—A. Yes, that would be a dollar.

Q. That would be a dollar, and this cream you sold for $1.84?—A. Yes.

Q. Well, it is more than that, are you sure of your figures.

Mr. MULLINS: Mr. Chairman, would it not be as well for one to examine the witness rather than having everyone jumping up to break in. I don't think it is etiquette.

The CHAIRMAN: Perhaps I am responsible, to begin with.

Mr. BOUCHARD: Then you had better make a quorum of one member, and each will come in turn.

Mr. MULLINS: Yes, come in turns.

Mr. BOUCHARD: We will be fair, and as Mr. Mullins decides, we will come in turn. I do not think I am unfair, I think I am putting proper questions. Are we here only to hear, or to speak. I just put questions. I think we have got along very well since this investigation started, and I thought that I had never intruded in any manner.

The CHAIRMAN: Each member of the committee has an equal right, professor, go ahead.

Mr. BOUCHARD: No, I am not surprised at you at anything, and I am pleased to say—I don't think I have to say it here—that I know something about milk.

By Mr. Tummon:

Q. Mr. Hogg, just a couple more questions and then I am done. I just want to be sure for your own benefit, and for us all, to clear up that surplus milk—in connection with what goes into buteti of that surplus milk you say that you make no profit whatsoever.—A. On what?

Q. On the surplus milk that goes into butter?—A. I did not make any such statement at all, because I do not know.

Q. I see? -A. I could not. The trouble is, Mr. Tummon, that the surplus milk is there; we have got to handle it—we can't use it.

Q. I understand that?—A. So, in order to save the milk we have got to separate it. We would be infinitely better off if we did not have any surplus milk as far as our company is concerned, because we could bing out cream in from the country. We would not be bothered with separating it.

Q. Yes, I agree, but I don't see how it would be hardly possible to run a plant without a certain amount of surplus milk?—A. Oh, you can't do it.

Q. I think your quantity of surplus is one of the lowest qantities of any company that we have had; and due to that fact I wanted to pursue the point that has often been brought to the attention of this committee, that the companies are making more profit out of the surplus than anything else?—A. Well, as far as our company is concerned, that is absolutely beside the fact.

Q. But you would not say, however, that there was no profit on the butter?—A. I would not say, because our statement shows that we had a profit.

Q. And you would not say that there was no profit on what went into sweet cream of the surplus?—A. No, I would not, I would not make a statement of that kind, Mr. Tummon.

Q. Then, under those conditions, there are certain clauses in your statement you perhaps would want to rectify this morning?—A. Perhaps I would.

Q. You said: "we refer to surplus milk as that milk not sold through any of our regular avenues of sale"?—A. Yes.

Q. It was used as sweet cream or in the manufacture of butter?—A. Yes.

Q. "All the milk passed by us as surplus milk is used in this manner and none ever sold to regular profit producing channels"?—A. That is right; of course I would have to rectify that, but I think it is quite easy to read into my statement there, I said "if it was used as sweet cream."

Q. Yes, but that clause: "that all the milk classed by us as surplus is used in this manner and none ever is sold through regular profit producing channels", you remember?—A. Oh, yes, I would not want to—

By Mr. Pickel:

Q. Mr. Hogg, how much sweet cream have you to total milk?

The CHAIRMAN: You mean in what year ?

Mr. PICKEL: 1932.

The WITNESS: We bought in sweet cream 538,453 pounds, and a fraction.

By Mr. Pickel:

Q. What is the price of your 40 per cent sweet cream?—A. What did we pay for it?

Q. No, you sold it for 50 cents a pint?—A. Well, I can't give any details.

Q. At 50 cents a pint?—A. What went in bottles, yes.

Q. What is that a gallon?—A. Two dollars a gallon.

Q. Are there only four pints in a gallon?—A. Eight pints.

Q. How much did that amount to?—A. It is not very hard to say how much that would amount to, that would amount to $4 a gallon wouldn't it?

Q. Yes, what did you pay for it?—A. But when you are counting up that there, you want to take in cream that we sold at $1.40 a gallon.

Q. Well, I am talking about 40 per cent just now.—A. I am talking about 40 per cent, because you see what goes into the bottle trade is only part of our sales.

Q. Mr. Hogg, what would that cost you; what would you pay for that?—A. The average was 24·08 cents a pound butterfat.

Q. What would that be at the gallon?—A. About $1 wouldn't it?

Q. And you sold that for— —A. Well, doctor, don't you think—I believe that you gentlemen want to be fair.

Q. Yes.—A. You don't want to take just one part of the thing—of the story—you want to take it all.

Q. Yes, yes, but I am talking about this particular grade of cream.—A. I understand that, you know this is all going on the record and let us all be fair one with the other. Doctor, here are some figures. This is the number of pints; in retail pints we sold 495,512 pints; and in wholesale we sold 1,018,000 pints, double.

Q. I am just getting at your retail now; I am not questioning your wholesale, Mr. Hogg. Of your X cream, your 30 per cent cream, how do you sell that, by the pint?—A. The 30 per cent cream?

Q. Yes.—A. Where is that account?

Q. In 1932.—A. Well, we have not any 30 now. Yes, here it is; we sell that for 40 cents a pint.

Q. That was in 1932?—A. We have none of 32.

Q. You have none now?—A. We have 10, 15, 30 and 40.

Q. Well, you have 30?—A. Yes, 30.

The CHAIRMAN: The Doctor means in the year 1932.

The WITNESS: Oh, yes, in 1932; yes, that is right.

By Mr. Pickel:

Q. What would that amount to per gallon?

Mr. BOUCHARD: $2.40.

The WITNESS: That would be $3.20 a gallon.

By Mr. Pickel:

Q. What would that cost you?—A. Well, I gave you the list. It cost all manner of prices. It just depended when it was bought, what month it was bought. What month would you like?

The CHAIRMAN: The average.

By Mr. Pickel:

Q. Yes, the average.—A. The average price was—

Mr. BOUCHARD: Twenty-four cents and a fraction.

The WITNESSS: Sweet cream, it cost 23·3 cents.

By Mr. Pickel:

Q. What would that be by the gallon. Figured up by the gallon and as you sell it?—A. Well, the farmer's cost is $1.84, and what we had to get to help theirs out when they were down, cost us 28·2; so that our total butterfat cost was 24·8 cents.

Q. What was your total amount of cream sold?—A. Here it is here, 448,472 pounds of butterfat was sold as cream.

By the Chairman:

Q. Just repeat that, will you please? That interests me. Would you repeat those figures please?—A. 448,472 pounds of butterfat was sold as cream.

Q. Less than you bought?—A. What is that?

Q. That is less than you bought?—A. No, no—yes, it would be.

By Mr. Pickel:

Q. That is in butterfat?—A. That is butterfat.

By the Chairman:

Q. You said you bought 538,000?—A. There were 254,777 pounds of it churned.

By Mr. Pickel:

Q. What is that again, please? How much?—A. 254,777 pounds was churned, made into butter; and there were 15,330 pounds of it on hand over the other year; that is what produced the balance there, that is what makes it balance. We had that on hand at the end of the year.

Q. Are those 538,453 gallons or pounds of cream?—A. Pounds of cream.

The CHAIRMAN: Pounds of butterfat.

The WITNESS: Pounds of butterfat received.

By Mr. Pickel:

Q. That was pounds of butterfat received?—A. Yes.

Q. And you only sold 448,000 pounds?—A. Yes, we sold 448,000 as sweet cream and we churned 254,000.

Q. Just to go back to your table cream, Mr. Hogg, 30 cents a pint, 15 per cent; what does that come to, to get it by the gallon?—A. What does the table cream come to a gallon?

Q. Yes?—A. It comes to $1.60 a gallon.

Mr. MULLINS: What was that?

Mr. PICKEL: 30 cents a pint.

The WITNESS: Oh, you said table cream?

By Mr. Pickel:

Q. Yes, that is 15 per cent cream?—A. The Doctor wants table cream. Is it table cream you are asking about?

Q. Yes, 15 per cent?—A. Well, we are selling that now for $1.60. In 1932, $2.40.

Q. And the cereal cream?—A. We didn't have that in 1932 at all.

Q. What are you selling it for now?—A. 16 cents a pint.

Q. That also was $1.28 a gallon. Will you please tell the committee what you pay for one gallon of 10 per cent cream that you sell for $1.28?—A. Well, according to the figures we have here, we would pay—it would be 80 cents.

Mr. BOUCHARD: Might I interject here, Mr. Chairman, we have to be fair with the witness. It is not paid according to your fat basis in this case, because 10 per cent cream contains some milk.

The WITNESS: Yes.

By Mr. Bouchard:

Q. It is bought with milk?—A. Yes.

Q. 40 per cent cream is bought as cream?—A. Yes.

Q. And 30 per cent cream is bought as cream; but when it comes to 10 per cent cream— —A. And 15, it is expensive milk that is going into it.

Q. Yes, it is bought with the milk.

Mr. PICKEL: That does not make any difference.

Mr. BOUCHARD: It makes a great difference.

Mr. PICKEL: It makes no difference at all; it is sold as cream.

Mr. BOUCHARD: It is bought as milk, because there is no sale of 10 per cent cream on the market. Just be fair to the witness.

Mr. PICKEL: They sell 10 per cent cream.

Mr. BOUCHARD: Yes, but they don't buy.

Mr. PICKEL: Don't interrupt. I am asking what it would cost.

The WITNESS: It has got to be broken down with milk, and I can't just give you this cost.

By Mr. Pickel:

Q. Sure, sure, I understand that.—A. I have not got that.

Q. How many pounds of butterfat would there be in one gallon? You can get at it in that way.

Mr. BOUCHARD: One pound.

Mr. PICKEL: For which you would pay how much? That tells the whole story.

By Mr. Pickel:

Q. There is one pound of cream—one pound of butterfat in a gallon?—A. You see, to make up 10 per cent cream, I must confess I am a little hazy about it, but it has not to be broken down with milk that costs $1.35 a hundred. I am not able to give you that. I might just as well be frank and tell you that I can't give it to you.

Mr. BOUCHARD: I have figured that up for the witness, if you want it.

The WITNESS: If you will.

Mr. BOUCHARD: You have just to take about half of the cream at the butterfat price and figure out a gallon of milk, and you have your price.

The WITNESS: Will you give it to the doctor? You can do that easier than I can.

Mr. BOUCHARD: He does not want to get it.

The WITNESS: Will you give it to me?

Mr. BOUCHARD: I will give it to the committee, and I am prepared to stand by it.

Mr. PICKEL: How much would that cost a gallon?

Mr. BOUCHARD: Just take the price of the gallon of milk—

Mr. PICKEL: Tell us. I am not asking you how it is figured. Tell us what it comes to; that is what I want.

The WITNESS: Give him the information, Professor, because I can't give it to him.

Mr. BOUCHARD: If you want to know, I will give it to you.

Mr. PICKEL: All right, give it.

By Mr. Bouchard:

Q. Can you tell me what is the price of a gallon of milk, fluid milk?—A. We are paying $1.35 per hundred.

Q. Well, that makes 13 cents?—A. Yes.

Q. Figuring 15 cents—about 15 cents—for a gallon of milk?—A. Yes.

Q. And to this gallon of milk you add about—supposing the milk is 3·5, you have to add—that makes 3·10, let us say four. You have to add $\frac{6}{10}$ of a pound of butterfat to the 15 cents which is the cost; that was 25 cents; that makes about $\frac{6}{10}$ of 25 cents, which is about another 15 cents. That makes about 30 cents a gallon.

Mr. PICKEL: About 30 cents a gallon?

Mr. BOUCHARD: Yes.

Mr. PICKEL: On the same basis, what would the 15 per cent cream cost?

The CHAIRMAN: I don't think he heard you, Doctor.

By Mr. Pickel:

Q. On the same basis, Mr. Hogg, what would the 15 per cent cream cost?—A. Doctor, I am going to be quite frank with you, that is outside of my province, and I can't figure it up. Perhaps the professor would figure that up for us, and tell you.

Q. What I want to establish is this, that there is more profit on the cream business than there is in the milk business. That is what I am getting at.

Mr. DUPUIS: Just ask him.

The WITNESS: You see, the turnover is so much smaller, Doctor.

By Mr. Pickel:

Q. Yes, certainly; and for 40 per cent cream which cost you one dollar and you sell for four dollars, there is not much loss in that.—A. I would not like there to be, sir.

Q. I understand, but you admit that is right?—A. Surely I will admit that.

By the Chairman:

Q. Just a question along the cream line, before we start into something else. At page 437, Mr. Hogg, you will see that your cream sales amounted to $350,000 odd.—A. That was for 1932, was it?

Q. That was for 1932.—A. Yes.

Q. Your cream purchases were $99,000 odd?—A. Our cream purchases? Our cream purchases were $99,566.11.

Q. Yes, I was just using the round figures.—A. Yes.

Q. I understood you to say that your sweet cream that was purchased, that is extracted from your surplus milk is either turned into cream sales or butter?—A. Yes.

Q. If you look at your butter sales there, or butter purchases, you will find the figures in that same trading account; your butter sales are there as well?—A. Yes, butter sales were $87,000.

Q. And your butter purchases?—A. Butter purchases, $62,000.

Q. If you add those together, we find that your butter and cream sales amount to approximately $438,000—your butter and cream sales amount to $161,000.—A. What is that?

Q. Your butter and cream sales added together amount to $161,000?

Mr. BERTRAND: That is purchases.

The WITNESS: Purchases.

By the Chairman:

Q. Yes, purchases; I beg your pardon. That leaves a profit or a difference of $276,000. Does that represent your profit on that transaction of cream and butter sales?

Mr. BERTRAND: Yes.

The WITNESS: Yes.

By the Chairman:

Q. Your gross profit?—A. That would be the gross, I suppose.

Mr. TUMMON: No, it could not be.

By the Chairman:

Q. Yet me ask you this, to clear up this whole thing, do you purchase any sour cream for butter purposes?—A. Yes.

Q. Is that included in your butter sales?—A. That is included in the butter sales, yes. Yes, we purchase sour cream.

Q. Is there any great amount, any appreciable amount?—A. 45,950 pounds of sour butter fat.

Q. Which will be worth approximately what, do you know?—A. 20·8 cents.

Mr. TUMMON: You would have to take out of that 11·9 per cent of the fluid milk, because according to Mr. Hogg's evidence, the total amount of surplus milk went into cream and butter. You would have to add the cost of that.

The CHAIRMAN: Yes, I understand that. Now, who is the next gentleman that wants to ask anything?

By Mr. Gobeil:

Q. Did I hear you say, Mr. Hogg, that you are actually paying $1.35 to the farmers for milk?—A. Yes, at the present time.

Q. At the present time?—A. Plus premiums.

Q. Well, never mind premiums; there has been no change recently in the prices of milk?—A. Not any.

Q. Paid to the farmers?—A. The same price.

Q. You don't know of any meeting of the association, of the producers' association and the dairymen?—A. We have had no meeting of the association since I was here last, nor yet has there been any change.

Q. I have here a return from a dairy—I want to say that it is not your dairy, though—from a farmer not very far from Montreal for 3,601 pounds of milk paid for at $1.20, and that is the second part of the month of March. He says in his letter that the milk prices have been changed just recently, that that is the first statement at that price. So you don't know of any change?—A. There has been no change, sir, as far as our company is concerned.

Q. Is it the custom—in your estimation would it be possible for one firm, one dairy, to pay that much less than the others?—A. From what I hear, it is quite possible. That is part of the trouble with our whole business. As I told you in my evidence when I was here the last time, there is about four companies in our city that are trying to stand behind the farmers and maintain prices, and we are doing it at awful odds.

Q. So that is not the association price at the present time?—A. There is no change as far as we are concerned. But I will say this to you, that unless there is some change, there will have to be a change in prices. We can't stand up against what we are being put up against.

Q. What do you mean when you say "unless there is some change"?—A. Well, we know that just what you have read to us is going on. It is pretty difficult for a firm that wants to do different, to stand up against another firm that has a 15 cents a hundred edge on it.

By the Chairman:

Q. Would you tell us the names of those four companies, Mr. Hogg?—A. Yes, I will be quite glad to tell you; the Joubert Company, the Borden Company, the Elmhurst Company and ours. I didn't intend to tell you that, but it is a well known fact in Montreal.

By Mr. Dupuis:

Q. You said actually you pay $1.35 per hundred for milk?—A. Yes.

Q. The price you pay actually?—A. Not for surplus, you understand.

Q. No.—A. But for our regular milk.

Q. For your regular milk; for how long have you been paying $1.35?—A. Since the first of February.

Q. What was the price before, for the same quantity?—A. $1.60. It was $1.60 in December and $1.60 in January.

Q. Just to proceed with a little order, the milk that you buy at $1.35, you sell it to the consumer at what price per hundred?—A. To the consumer?

Q. Yes.—A. Well, it all depends what kind of a consumer it is. We sell it at different prices.

Q. No, your retail?—A. Nine cents per quart.

Q. Nine cents per quart makes how much per hundred? Or if you prefer, just give me the buying price per quart and give me the selling price per quart.—A. ·0370.

Q. You pay 3 cents?—A. 3·70; nearly $3\frac{3}{4}$ cents.

Q. 3·70, that is the actual buying price?—A. That is the actual buying price.

Q. Now, in 1932—can you give me the buying price in 1932?—A. Altogether for the whole year?

Q. The average, I will take the average.—A. ·0391.

Q. 3·91; and the selling price per quart?—A. For retail milk you want, is it not?

Q. Retail, yes?—A. 10·38.

Q. 10·38 and 3·91. Now, in 1931?—A. I am sorry, I cannot give it to you.

Q. What is that?—A. I can't give it to you. I have not got that.

Q. You have not got anything before 1932; you have not got anything in 1930?—A. No, I have not got anything.

Q. Speaking from memory, could you remember what the price was, the average price for 1928?—A. I can't remember. I have had that much, with this thing on my mind, gentlemen, that I would not venture it. I could only guess.

Q. Give me 1928 or 1929.—A. Oh, here we are. In 1928, here it is; we were paying $2.80 per hundred in December, 1928.

Q. And what was the selling price?—A. 14 cents.

Q. 14 cents per quart?—A. Yes; 8 cents a pint.

Q. Have you got 1929 now?—A. Yes, I think we have. In December we were paying $3.20 per hundred, and we sold milk at 15 cents and 8 cents.

By Mr. Bouchard:

Q. December is the peak month?—A. Yes, December is the peak month.

By Mr. Dupuis:

Q. You have not got the summer price?—A. Yes. In October we were paying $2.80½, and we were selling at 14 cents.

Q. That was in August?—A. No, that was in October.

Q. Now, did you have in these years, Mr. Hogg, four different kinds of cream?—A. No.

Q. Which you are now selling?—A. No; that has all come in later.

Q. What kind of cream were you selling in those days?—A. We were selling 15, 25 and 35.

Q. Could you provide the committee with the price you sold those at?—A. We were selling table cream then at 30 cents –

Q. That means 15?—A. —a half pint; and 40 cents for 25 per cent; and 50 cents for 35.

Q. Practically the same price as to-day, is it?—A. No, we have raised the butterfat.

Mr. Pickel: That is practically the same price as to-day.

The Witness: Practically, yes.

By Mr. Dupuis:

Q. Practically the same price. In 1928 and 1929 you said that the average price, buying price, was $2.80 for summer and $3.20 for winter prices; that is in 1928?—A. In when? In 1928?

Q. Yes?—A. $2.80½ in 1928.

Q. I see; and the summer price, what was that?—A. $2.03.

Q. You said it was what—what was it in 1932, $1.35?—A. In 1932, $1.35, yes.

Q. Now, let us take the year 1928 and the year 1932?—A. Yes.

Q. To make a comparison, and find out how it stands. Did you make just as much profit in 1928 as you made in 1932, average profit?—A. I think we made more profit at that time.

Q. More profit?—A. I am speaking from memory, you know.

Q. You have not got that?—A. No, we have not got that. Those were the banner years, 1928 and 1929.

Q. What is the cause of the difference in prices; could you tell this committee that?—A. The cause of the difference in prices is that there is a world depression on, and there is a world over-production of both butter and cheese.

Q. In 1932 you sell the milk at 10 cents a quart?—A. Yes, 10 cents.

Q. Whereas in 1928 you sold at 15 and 14 respectively?—A. That is it, yes sir.

Q. And the farmer received about approximately $2 more for his milk?—A. No.

Q. Per hundred?—A. No, not approximately.

Q. Well, $1.35 and $3.—A. Yes. That was for the month of December. For the month of December this year he received $1.60; and in the early part of 1932 he got $1.70. He got $1.70 in January, February, March and half of April.

Q. Was the cost of administration and distribution heavier in 1932 than it was in 1928?—A. No; they would be just about the same.

Q. In 1928 you were bound to pasteurize your milk?—A. Oh, yes.

Q. Did I understand you to say when I heard you last, that you made more profit on your cream than with your fluid milk?—A. Well, my reply to that is that the volume is so much less than you can't compare it.

Q. No, but comparatively?—A. I think if you take it comparatively, yes, we made more out of cream than we would out of milk. That would be my opinion.

Q. Just for the benefit of this committee, which is out just to find a way to help the farmers and the consumers, how could you explain on the one hand that you make more profit on cream than on fluid milk, and on the other hand, when you have an extra quantity of milk with which you make cream, you pay less to the farmer? Can you explain that to this committee?—A. I don't know how I could explain that, any more than we paid the farmer infinitely more than he would get in any other way, that is the only thing I can say to that.

Q. But I understand, Mr. Hogg, that the cream that you are selling to the public is made by you?—A. No, no; that is not so. We make cream or butter out of that 11 per cent, or 11·9 surplus that we have; but we don't make any more cream in our plant than we can possibly help. We want to bring our cream in from the country.

Q. Well, that is all right; now, let us come to the fact—you told this committee a few minutes ago that not only were you making cream with the surplus, but that you made cream with what you brought back from the waggons?—A. Yes.

Q. Taking what you brought back from the waggons with the surplus milk, what percentage of all the cream you sell are you making yourself?—A. I can't answer the question, I don't know.

The CHAIRMAN: Can you, approximately.

The WITNESS: I could not give it to you even approximately, I would not venture to guess.

By Mr. Dupuis:

Q. You are doing that a great deal, Mr. Hogg, I don't want you to be kept in too much?—A. I won't, but you would not want me to start making wild guesses at things I don't know.

Q. No wild guesses on the subject?—A. I can't guess, I am not able to; I don't know.

Q. I think any ordinary man that would spend a week in your factory would be able to find out, and you are doing business for your own benefit, and it seems to me that you could tell us?—A. I am not able to tell you, if I knew I would be glad to do it.

Q. Are you making 50 per cent of your cream?—A. No, we don't do anything of the kind.

Q. Less than that, or more?—A. Well, if you want to guess, I would say that we don't make more than 10 per cent.

Q. You just said a moment ago that with the surplus milk you made more than 11·9 per cent?—A. No, I said that we skim 11·9 per cent of the milk that we get from the farmers; that is what I said.

Q. Oh, I see. Have you got in your book how much cream you sell of all kinds?—A. Yes.

The CHAIRMAN: He gave that.

By Mr. Dupuis:

Q. Yes, I just wanted to compare both figures?—A. What do you want it in, pounds or gallons?

Q. In gallons, in quantities?—A. He wants it in gallons.

Q. Oh, never mind the quantity?—A. We sold, in our returns, 495.512 pints of cream, and we sell wholesale.

Q. No, no, never mind, I don't want to know that now and mix up both; what I want to come at—you said that this cream, this 495,512 pints is either derived from your returned milk or from your surplus milk, or from cream that you bought from the farmers?—A. Exactly.

Q. Have you got in your book how much cream you bought from the farmers?—A. Yes.

Q. Now we will come to the facts?—A. Here is the pounds of butterfat we bought from the farmers—368,935.

Q. Well, you will translate that into pints?—A. What.

Q. Translate that into pints?—A. I can't.

Q. You have to?—A. You are good at figures, you translate it; the way I have got it, I don't translate it. And then from the factories—

Q. Even if you need the help of my honourable friend we will call in the professor to find out, because it is very important, Mr. Hogg. You said that you were unable to say what are the quantities?—A. No, here, I have got it here—here is the surplus milk; we got 156,214 pounds of butter fat in milk from returns from routes.

Q. Just a minute now, Mr. Hogg. 156 -A. 241 pounds of butterfat; and off the milk routes.

Q. Where is that from, surplus milk?—A. That is surplus milk.

Q. Was that the whole of the surplus milk Mr. Hogg?—A. Yes, that is from the surplus milk, and from the milk returned from the routes, 46,331.

Q. That is from the returned milk?—A. And then we bought from factories 169,518 pounds.

Q. Now, I will repeat; from the surplus milk 156,214 pounds? –A. That is it.

Q. From the returned milk, 46,341 pounds?—A. 331.

Q. 331, all right; and from the farmers 169,000?—A. No, no, from factories.

Q. Yes, from the factories from which you bought as cream?—A. We bought it in cream.

Q. 169,518?—A. 518.

Q. Now, if we make a subtraction we will easily find out the percentage of cream that was derived?—A. From surplus milk.

Q. From surplus and returned milk?—A. Yes, if you take 156,241 that will show the surplus milk.

Q. No, I beg your pardon, you got also 46,000?—A. No, no, that was not surplus milk.

Q. But it is returned milk?—A. It is not surplus, it is paid for at association price.

Q. Oh, that is all right; but that 156,241 pounds?—A. Was surplus.

Q. Is derived from the surplus milk for which you paid the farmer a minimum price of what?—A. $1.02 per hundredweight. It averaged $1.02 per hundredweight over the whole year.

Q. And you sold that at $4?—A. Oh, no, no, no, no; what went into butter or what went into wholesale cream, it would all have to be taken in.

Q. Anyhow, let us make the percentage of that cream to compare with all the cream you sold in any form whatsoever; it shows that it is somewhere about 49 per cent?—A. No, no, oh, no.

Q. Well, you have to compare 126,000 with 169,000; about 40 per cent?—A. A little over 21 per cent.

Q. What is that?—A. A little over 21 per cent.

Q. Well, my figures are not the same as yours are; mine show a little over 40 per cent?—A. No, you are wrong, we got in altogether 741,025 pounds, and the surplus was 156,241 pounds; you can't get any 40 per cent out of that.

Q. But, mind you, Mr. Hogg, I want to remind you that you shant put in these figures, the 46,000 which is returned milk?—A. I certainly put it in, because that was the dearest cream we got; we paid $1.35 a hundred for that milk and made it into cream, and paid more earlier in the year; oh, yes.

By the Chairman:

Q. Did you repasteurize that?—A. No, it is all skimmed you know, if it comes back it is not repasteurized. The cream may be repasteurized because it has to travel through the plant.

By Mr. Dupuis:

Q. Let us take your figure that you found out.—A. 21 per cent.

Q. Well, it is a little different from what you said a minute ago—that it was less than 10 per cent.—A. You see, we sold 448,472 pounds, we churned 254,777 pounds.

Q. What was the price of the butter you churned?—A. It was at various prices, you know butter in 1932 went down to 16 cents a pound.

Q. But not the price at which you people sold it to the consumer, you didn't get that price retail?—A. No, we did not.

Q. No sir. Tell this committee what is the price you are selling your own butter to-day?—A. It was 30 cents yesterday.

Q. So, you will admit before this committee, Mr. Hogg, that even the cream that you churned into butter you are not losing money on, you are making money with butter?—A. Very little money.

Q. What profit are you making?—A. I could not really tell you. We are making very little profit on butter.

Q. Yes, but you are making a profit.—A. We hope we are, we want to make a profit on everything we handle.

Q. I know. I just want to state to this committee that as far as I am concerned, I am not here to find out that you are losing money. We are here to find out what is the cause of the state of affairs to-day with the farmers and with the consumers. Of course, we are not here to find out if the cause of these prices is due to the change of government.—A. What is that?

Q. I am speaking to the Chairman.—A. It looks roughly as if we had had $25,000 gross on butter.

Q. $25,000?—A. $25,000 gross on butter.

Q. And what would be the total profit on butter?—A. I could not tell you, I do not know.

Q. You haven't got that in your books?—A. It is on all the business.

Q. Now, I am going to put to you the same questions as I put to many other gentlemen who have appeared before this committee; do you think it is possible in the larger cities like Ottawa, Toronto and Montreal to set the average quantity of milk you need each day?—A. No sir, you cannot tell.

Q. With an average surplus you can't tell, with a reasonable average surplus you can't tell?—A. Well yes, with an average surplus, we can tell with that, yes.

Q. Let us say 10 per cent surplus, could you tell me what quantity of milk you would need for Montreal to-morrow morning?—A. I could not tell you just now, but I would tell you this; that you could not keep surplus milk out of Montreal to-day, I don't care what you did. We have been writing and pleading with our people to hold back and try to shut them off, and have shut them off, and in spite of all that, the darned milk will come in on us, you can't keep it back. And then you will have farmers that you want to shut off, and they will write you the most pleading letters to do the best you can with it, and not to shut them off. That is the difficulty.

Q. Now, Mr. Hogg, I will put to you another question; supposing something might be done in the future in behalf of the farmer, suppose that the proper authority—either the federal, the provincial, or the municipal governments—gave to you dealers in milk the obligations to pay to the farmer a minimum price and get away from surplus milk; suppose that these authorities

imposed that on your people, would you be able to make money?—A. We would welcome anything that would stabilize the business; it is in a demoralized condition.

Q. You know that milk is perishable?—A. Very well I know that.

Q. It is a utility. You are talking about something that is not—it is impossible to stabilize the price of milk, because it is a perishable commodity. But what we want to know is, that if legislation is passed to impose on dealers of milk an obligation to pay a certain price to the farmer, notwithstanding the surplus, if you would be in a position to make profits just the same, in view of the fact that you told this committee you are making money with your cream, more money with your cream than you make with your milk?—A. We are not making more money with our cream than we are with our milk, I explained that to you.

By the Chairman:

Q. Mr. Hogg, how do you know; you told us a while ago you could not segregate these profits. A. I can tell you, Mr. Senn, I am giving to you all I know just as fairly as I know how. I didn't expect to come before a board of inquisitors that were going to try to trap me into saying something I didn't know anything about. I brought a statement, and this gentleman is trying to lead me into saying something I don't know. I want to be fair with you sir. You gentlemen here of the government have the destiny of this country in your hands. It is for you to say what we are to do, and we here are witnesses, and we are here to do as you tell us to do.

Q. Now listen Mr. Hogg, this morning— —A. Now one minute Mr. Senn, I certainly have some rights here. Now, this gentleman has asked me what we would do and I will tell you a few things before I will sit down. I have seen the governments, both of the Old Country, of the United States and here work into guiding the business of the country. We know that the British government undertook to stabilize the price of rubber, and what a lamentable failure they made of it. Then the United States were going to stabilize the price of wheat and cotton, and an awful cost to the people of the United States; and we ourselves have been guilty—

The CHAIRMAN: Just a minute.

The WITNESS: We, in Canada, we have—

The CHAIRMAN: Mr. Hogg, I ask you to take your seat now. This kind of thing is not going to be stood for in this committee. We are not asking you what other governments in other countries have done, we are here to find out methods.

The WITNESS: I can't tell you.

The CHAIRMAN: Just a moment. We are here to try to find out methods and ways of stabilizing the dairy industry, and if you are asked questions as to what you think of certain methods, you are to answer, and your answer is to be yes or no.

The WITNESS: All I can say is, I don't know.

The CHAIRMAN: We don't want any such exhibitions from any of the witnesses before this committee. We are not trying to trap you or anything else. I will ask you to observe the ordinary courtesies of the committee just as I would ask it of any other witness who is here.

By Mr. Tummon:

Q. Now, let us take your financial statement and your evidence of this morning, and see if we can arrive at something. At page 437, you say that your cream sales—taking your trading account for the year ending 31st December, 1932—your cream sales were $350,892.34.—A. That is right, sir.

Q. And your butter sales were $87,488.78?—A. That is right.

Q. Making a total of $438.381.12. Now then, I presume that following from your evidence you paid for altogether in that, as cream purchases $99,566.11; and butter purchased $62,335. Now, to that you must add 11·9 per cent of your total.—A. The surplus is included in that.

Q. Let us get that right. Do I understand that in these butter purchases of $62,335, that the 11·9 per cent surplus milk is included?—A. Included in the butter and cream.

Q. And then the butter and cream includes all the surplus that went into it, and you say that all your surplus went into these two?—A. Yes.

Q. Very well then.—A. Also with the returns off the wagons.

Q. It is all in that?—A. Yes, sir.

Q. I see, then if we take the cream purchases and the butter purchases, we will include all our purchases, including surplus milk, and including your returns that went into the sale of these cream and butter sales?—A. Yes.

Q. All right. Just a moment, then if you take $438,381.12, and deduct from that $151.901.11, you have the gross profit in regard to that transaction? —A. I presume that is right.

Q. That would make $326,480.01 of gross profits.

Mr. Bowman: No, $287,000.

Mr. Tummon: Yes, $287,000, that is right.

By Mr. Mullins:

Q. Mr. Hogg, I think when you were here the last time, you told us you started in Montreal when you commenced your business?—A. Yes, sir.

Q. With a $150 horse?—A. Yes, I did.

Q. And the capital stock of your company to-day is over $2,000,000?—A. It is a result of that $150.

Q. What is that?—A. It is the culmination of that $150.

Q. That has made the $2,000,000?—A. Rolling up, yes.

Q. Well, do you think the farmers of this country, if these various organizations were building up big credits, that they were getting a fair deal?—A. I didn't get that, Colonel.

Q. Do you think the farmers all down during that time have had a fair deal?—A. I have felt they have, yes.

Q. When you have accumulated such wealth as that?—A. Well, Colonel, let me tell you. I could very easily have done like some of those that were here before you, it could have disappeared just as I have gone along, and there would be nothing at all—there would have been nothing left. It is because we have attended to our business, instead of spending the money as we made it; whether it was great or small, we ploughed it back with the idea of building up the industry, and it has grown to the proportion it is to-day. It is the result of practically half a century of industry.

Q. You said you wanted to leave to the people of this country a high class dairy?—A. I did, yes.

Q. Wouldn't it be a good thing, now that you have all this wealth—you would not tell us the amount of your salary?—A. Yes, I will tell you, because I might just as well; for the last number of years I have been drawing $1,200 a month, that is the amount I have taken out.

Q. And dividends?—A. No dividends, it all went back. The dividends, Colonel, is what this statement shows in building, and whatever goes with it, and with the business as it is to-day; but I have never bled the business.

Q. Having known you for a good many years, would not it be a nice thing now, if you want to help agriculture, and put the good experience you have had to count— —A. You mean I might become a philanthropist?

Q. Wouldn't it be nice?—A. It would be nice.

Q. There are men that have done that. You know the practical farmer to-day is in bad shape, he has not been getting very much for his milk or cream. I do not know a man who has handled cattle who has made the money you have. I remember you when you bought an old cow down around Point St. Charles stockyards.—A. Yes.

Q. I do not know of a cattle man who has accumulated the wealth you have, $2,000,000. Now, wouldn't it be a nice thing, on behalf of agriculture, if you became a philanthropist and helped out those who are struggling along on the farm?—A. I want to say to you, that after I met you the last time, I began to cast my thoughts back over the years, and I can remember very well when you were selling your cattle, and you always took the last dollar out of us that the market would allow.

Q. Mr. Chairman, that is a very good comeback, but it is not a fact. I was most liberal with him, when I knew he was dispensing milk to the babies and children of Montreal. That is not a fact. Also, I know my old friend Dr. McEachern, who bred that horse that started you up, we were associated in business in Alberta.—A. Colonel, I will tell you I will take that back, and I will say—

Q. Thank you very much.

The CHAIRMAN: I think all this is entirely beyond the scope of our reference.

The WITNESS: Before the Colonel sits down, would you allow me to tell him that when he was doing that, he was building, perhaps better than he knew at the time. I don't suppose that he expected that I might be privileged to sit before an august assembly at this time.

By Mr. Bowman:

Q. Mr. Hogg, in glancing over your financial statement, which is filed at page 437 of the evidence—

The CHAIRMAN: You will have to speak pretty loud, he does not hear well.

The WITNESS: I don't hear extra well.

By Mr. Bowman:

Q. In glancing at page 437 of the evidence, Mr. Hogg, you have given to the committee a financial statement of the company, this company; I note from the auditor's statement which appears on page 435 under the signature of Wright & Kingan, that there is this paragraph, "We are informed that as in former years no dividend will be declared." It has been the continual practice of your company not to pay any dividends?—A. It has been, yes.

Q. And continues up to this present moment?—A. Up to the present time.

Q. As a matter of fact, I think you told the committee previously that this company was really your own; it is a closed company, more or less?—A. Well, I control the company.

Q. What is the capital structure of the company at the present time? —A. Well, you have it here, sir.

Q. Would I be right in saying that it is represented by bonded indebtedness of $320,000?—A. Quite right, yes.

Q. Plus $750,000 no par value shares?—A. No, 7,500.

Q. 7,500?—A. 7,500 shares of no par value.

Q. Does that represent the total capital set up or structure of the company?—A. That is just as you see it, yes.

Q. When was the company organized as a joint stock company?—A. As what?

Q. Under the name of the Guaranteed Pure Milk Company Limited?—A. Well, it was organized in 1900 under a provincial charter.

Q. And has continued from that?—A. No, it was reorganized in 1920.

Q. Have you the capital set up when the company was first organized?—A. Yes; it was originally $30,000.

Q. In 1900?—A. In 1900, yes.

Q. $30,000; and was the company organized by the issue of $30,000 of common stock?—A. No. It was $30,000. At that time it was issued at par. It was 300 shares at $100 each.

Q. Were they all issued?—A. Yes, all issued.

Q. And were they all issued to members of your family or yourself?—A. Well, when they were originally issued, there was another crowd that had them. It was started by a lawyer and one other man at the time, and it ran for a little over a year, and it was practically bankrupt at the time.

Q. And you took it over?—A. And we took it over.

Q. You and your family, or nominees of yours, really took over control of the company?—A. We took over control, yes.

Q. That would be shortly after 1900?—A. Well, it was the first of January, 1902.

Q. 1902?—A. And the company commenced operations in September, 1930; it had run from September, 1900.

Q. You mean 1903?—A. No, it began in September or October, 1900, and it ran under the old management during 1931—

Q. You mean 1901?—A. 1901, and we took it over at the end of that year.

Q. Then it was reorganized in 1920?—A. Yes.

Q. At that time what was the reorganization, that is, the capital set up?—A. Well, the reorganization was $500,000 worth of bonds and 7,500 shares of no par value.

Q. $500,000?—A. Of bonds.

Q. That is in the year 1920?—A. That is in the year 1920, yes.

Q. Now, those bonds that were issued in 1920, were the whole $500,000 worth issued and sold?—A. They were all issued, yes, and we have since redeemed $160,000 of them.

Q. $180,000, is it not?—A. $180,000, yes.

Q. In 1920 when that bond issue was sold or set up by the company, I presume that you personally and the members of your family, or nominees of yours, controlled practically all the bonds too, or were there any sold to the public?—A. We didn't sell any to the public, no.

Q. You didn't sell any to the public?—A. No. That was our method of financing our buildings at that time.

Q. And that is the way it continues down to the present time?—A. That is the way it continues down to the present time, yes.

Q. Now, as you have said, that $180,000— —A. There was that amount redeemed.

Q. Have been retired?—A. Retired.

Q. And the $320,000 worth of bonds— —A. Will come due in seven years time.

Q. All belonging to yourself?—A. Now, I don't know that that is a fair question to ask me, because after all, we are getting outside of the company. The company owes those bonds, $320,000 worth of bonds; that is really owed by the company.

Q. Quite true, but the point that I am making is this: you see in examining the statement issued by your auditors, as I pointed out to you a moment ago, you say that no dividends have been paid. But if you have been paying interest on your bonds,—which I presume has been the case, has it not?—A. That is a mortgage on our property.

Q. Yes, but a mortgage to yourself?—A. I don't admit that.

Q. All right.—A. I won't admit that.

Q. Then, would you like to rectify the statement you made a moment ago, Mr. Hogg, that of the $500,000 of bonds issued in 1920— —A. The company have retired $180,000.

Q. Wait a minute; I was not going to ask about retiring; you said a moment ago that of the $500,000 worth of bonds that were issued in 1920, they were practically held by your family.—A. I don't know that I admitted that.

Q. All right.—A. You want to make me admit it, but I don't think—you see, gentlemen, my personal affairs are not under examination; it is the company's affairs.

Q. I think you will find, Mr. Hogg, that I will be quite fair to you in any questions that I am asking. All this committee wants to find out are the facts. —A. Well, those are the facts, that we owe $320,000.

Q. Yes, but the fact is that of the $320,000, I would be safe in saying, would I not,— —A. I think—

Q. Just wait till I ask you the question, and then you will know. I would be safe in saying that the majority of that $320 000 at least belong to yourself or your family.—A. I think I will have to refuse to answer that question because that has nothing to do with the company.

Q. You see, Mr. Hogg, what sort of position you are putting yourself in with the committee, by refusing to answer that. I don't want details, but you have already told the committee that of the $500,000 that were issued in 1920, that the great bulk of it went to you and your family; so what difference does it make if you refuse now to tell us that $320,000 is in the same hands? However, that is up to you. What is the interest rate?—A. Six per cent.

Q. Has this interest rate been paid promptly?—A. Yes.

Q. As it became due?—A. All our bills have been paid in that way.

Q. And how much for instance, did you retire of those bonds in 1932?—A. None.

Q. How much did you retire in 1931?—A. None.

Q. How much did you retire in 1929?—A. None.

Q. In 1928?—A. I can't remember. I don't think we retired any in 1928, but it is some years since those were retired.

Q. Some years since they were retired?—A. Yes. There has been none retired in recent years.

Q. Can you tell us when the $180,000 were retired?—A. Well, at different periods.

Q. Well, can you tell us when?—A. Well, I have not got it. I could not tell you.

Q. The information is on the record?—A. No, we have not it here at all. It would be a matter to go through the books to get it, and I have not got it.

Q. Can't you tell us when the last portion of those bonds that were retired, were retired?—A. To be quite frank with you, I am not able to say. If you asked me to give a guess at the thing—

Q. No, I don't want any guess.—A. Then I can't tell you.

Q. The gentleman who is with you, is he the bookkeeper of the company? —A. Yes, he is our accountant.

Q. Can he tell you when the last retirement of that portion of those $180,000 of bonds was made?—A. If you want it, we will send it to you.

Q. I am asking can your bookkeeper tell you now?—A. All right, give it to him. It does not matter.

Q. Frankly, I cannot understand why there should be any question about divulging these things.—A. Well, all right, I will give it to you. The bonds belong to myself and the Trenholme family. We own the bonds.

Q. It only leaves a wrong impression on the committee, that is all. We want to get the simple facts, and that is all.—A. I don't think you have had any set up before you that has been clearer than our set up has been, not one.

Q. No, we have not quite come to it yet.—A. No, he has not got it, so we can't tell.

Q. You would have no objection to filing with the committee the details as to when that retirement took place?—A. No.

Q. And you will do so. Would we be safe in saying that none of these bonds have been retired, say, in the last five or six years?—A. Quite safe, yes.

Q. Quite safe in saying that?—A. Yes, quite safe.

Q. You said a moment ago to the committee that 1928 and 1929 were the banner years of the company?—A. I think they were. I am speaking from memory.

Q. And it was during the years which were not banner years of the company that you were able to retire $180,000 worth of bonds?—A. Yes, we were. We have made money all down the line.

Q. Then the company is not at such an awful loss as you said a few moments ago?—A. What is that?

Q. You used the words a few moments ago in your examination, in answer to some of the questions that were asked, that the company was suffering an awful loss, at an awful rate, and something would have to be done.—A. Since the first of the year.

Q. Since the first of the year; so that up to the first of the year we can take it for granted that the company has been doing fairly well?—A. Fairly well, yes.

Q. As a matter of fact, your financial statement which is filed at the pages I have referred to, page 437, shows that with this capital set up of $320,000 worth of bonds, first mortgage bonds, plus 7,500 shares of no par value common stock. your company shows a net profit of $138,081.—A. Whatever it shows, I suppose.

Q. Well, am I correct in so reading your statement?—A. Yes, that is right

Q. That is correct; and I presume that that allows for paying all salaries? —A. Oh, everything.

Q. All depreciation?—A. Oh, sure, sure.

Q. Depreciation for bad debts and so forth?—A. The bad debts are charged off.

Q. When these 7,500 shares of no par value were issued in—A. In 1920.

Q. —in 1920, did they issue to yourself and other members of your family? —A. Well, they issued them to myself, my family and to the family of my old partner who started the business with me, whose interests are there.

Q. What were they issued at, how much?—A. Well they were issued at $225,000, that was the nominal value.

Q. In 1920?—A. In 1920, yes.

The CHAIRMAN: That is $30 a share.

By Mr. Bowman:

Q. That is $30 a share.—A. Whatever it is.

Q. At that time they were issued in 1920, as you say, to the partners and members of their families, for what value or for what consideration were they issued to you and your partner?—A. For all the effort that we had put into the business since 1885.

Q. Yes, that is—A. That would be the results of thirty-five years of effort.

Q. Well, that statement would require this qualification would it not, that on top of that there were issued by the company half a million dollars worth of

bonds bearing interest at six per cent which your family also got; I would be fair in stating that, would I not?—A. Quite fair in stating that, yes.

Q. So that this capital se up originally arranged in the year 1900, and subsequently changed in 1920, really represents a closed corporation of you and your former partner and members of your family. Now, you have spent practically the whole of your life in this business, Mr. Hogg?—A. Yes, all my life.

Q. And you say to the committee this morning, that after having so spent your life—and by the way, I think you also indicated that your company was one of the big companies doing business in Montreal?—A. Well, I should say we were one of them, yes.

Q. And you tell the committee, after careful consideration, that you are not able to distinguish the profits arising from the sale of cream and butter, as distinguished from the sale of whole milk?—A. Yes, that is right.

Q. That is quite correct?—A. Our profits are all contained in our balance sheet.

Q. Yes, they are all contained in your balance sheet, but you are not able to tell the committee the details of how these profits are arrived at; by examining the figures at page 437 it might be noted that at least a third of your business—I am putting it that way, I have said that at least a third of your business, it might be, is in the sale of cream and butter.—A. I suppose it is, yes.

Q. Well, if I am not correct, perhaps your accountant could rectify me?—A. I will admit that, that looks to be about it, yes.

Q. And what you want the committee to understand is, that after being in business all your life, and having conducted this business which you state is one of the outstanding companies of its kind in the city of Montreal, you can't tell the committee the profits you make on a third of your business, or the losses, which go to make up a third of it.—A. Yes, our profits were $138,081.53, on all our business.

Q. But you can't tell the committee what proportion of that profit is made up of cream or butter sales?—A. No, I can't tell you.

Q. And you have no way of figuring it out?—A. I haven't anything, no.

Q. Has your bookkeeper or accountant?—A. No, all the labour is charged into one.

Q. And do I understand, after careful reconsideration, that your bookkeeper and your firm have no way of figuring out the amount of profit.—A. Our set-up has not been made in that way.

Q. No, you can't tell what you make out of cream; you can't tell what you make out of butter.—A. No, only very roughly, I suppose, I don't know. It is all run together.

Q. And you cannot tell what you made out of your whole milk sales?—A. Yes, we made $138,000 out of our whole business.

Q. But you can't tell separately?—A. No, I cannot.

Q. Well, I must say that is a very extraordinary state of affairs in my very humble opinion.—A. It is too bad, I never expected to be called on to desiccate it in that way, and for that reason we have not done it.

Q. Well, do you mean to tell this committee, that when you come down to doing business in cream and butter that you only make a guess at it?—A. Well, I tell you we follow as far as the butter market is concerned, we follow the butter market, and we charge a premium for our make over the market prices; that is the way that it has been right at our place.

Q. Yes, but you do not know at all from your record whether or not in a particular month you are making a profit on butter, or making a loss on it?—A. No, I have always run it on the principle that if I had a profit at the end of the year, I was fairly well satisfied.

Q. Yes.—A. But we don't have a cost accounting system in our place. You see, ours is not like a company that is responsible to thousand of shareholders. It is a closed corporation, and if we are satisfied—at least if we have been satisfied—we just carried on pretty much along that line.

Q. Quite true, Mr. Hogg. Still, there are other people to be satisfied, are there not?—A. We never expected in our wildest dreams—I never expected that such a thing as is going on at the present time, would happen to me. I never thought of such a thing.

Q. But after all, the consumer has to be considered, has he not?—A. We are operating in a competitive market, and we have got to satisfy our consumer, or we could not hold our business.

Q. You have got to satisfy the producer, he has got to receive some consideration. A moment ago you stated that one of the big problems of the dairy industry was surplus milk?—A. Yes.

Q. And what to do with it?—A. Yes.

Q. And how to get out of it insofar as you are concerned, and at the same time, to allow the farmer a reasonable price. Well, can you tell the committee, Mr. Hogg, if that is the case,—and I think it is generally admitted to be such—can you tell the committee how much money you make out of your sale of whole and fluid milk, as separated from the rest of your business?—A. No, I can't give it to you.

Q. Well, that is an extraordinary state of affairs.—A. It is so, but there it is; I can't give it to you.

Q. And then, so far as you personally are concerned, you are not in a position to throw any light on this question that this committee is investigating with respect to the spread between what the producer is paid, and what is charged to the consumer for fluid milk?—A. Yes, I think we have given you those figures.

Q. You have not given us the figures of that spread.—A. Yes.

Q. But you say, so far as your company is concerned, you don't know what your profit is?—A. Yes, I do know what our profit is, it is this $138,000.

Q. Just a minute now, on fluid milk, not on the whole operations of the company.—A. I have not, no sir; I can't give it to you.

Q. You can't give it to us, all right. Now then, have you the value of the company's assets at the present time?—A. No, we have not.

Q. Roughly, what would you figure them at?—A. Oh, all our assets, well—

Q. You might likely have them there.—A. Yes, we have.

Q. Oh, you have them?—A. Our statement shows it.

Q. Your statement shows it? I have your statement here, perhaps you will tell us.—A. Our surplus is $2,020,262.72.

Q. Your surplus is a little over $2,000,000?—A. Yes.

Q. Would I be fair in saying this: deducting from that $2,020,000 the $320,000 outstanding for bonds, you would have left $1,700,000 odd, as the value of your par value shares?—A. Our shares are not par value shares, they are no par value.

Q. I said no par value.—A. Yes.

Q. Would I be safe in saying that that was correct: that the value of your $750,000 no par value shares is the difference between $320,000 and $2,020,000?—A. I suppose that would be a fair deduction.

Q. Yes, and the fact that your company have not paid dividends does not by any means indicate to this committee that they have not been doing business at a profit?—A. No, I maintain that we have been doing business at a profit.

Q. Now, your profit at the end of 1932 was, as you said, $138,000 odd net.—A. Yes.

Q. What was your profit at the end of 1931?—A. $177,000.

Q. In 1930?—A. At the end of 1931.

Q. And at the end of 1930?—A. I haven't got it, only have the two years.

Q. You only have the two years, I presume you could leave with the committee details of your profits for 1928, down to the present time?—A. We were told we only had to bring for 1931 and 1932.

Q. Yes, but I am asking you, you could leave with the committee information as to your profits for the years 1928, 1929, 1930.—A. We haven't got them here, I could not give them to you here.

Q. You haven't got it to-day, but you could get it for the committee?—A. We will send them to you, yes.

Q. You will send them?—A. Yes.

Q. The profits which have been shown in the year 1932 are arrived at after making certain allowances?—A. Yes.

Q. And the first item at page 438, if you would not mind referring to it, Mr. Hogg, the first item is $37,800, administration; what does that mean?—A. I myself get $14,400.

Q. Yes?—A. Mrs. Trenholme gets $14,400.

Q. Yes?—A. My son gets $4,500, and my nephew gets $4,500.

Q. How much?—A. $4,500.

Q. Yes, that makes up the total of $37,800. Is Mr. Trenholme in the business?—A. Yes.

Q. He takes an active part?—A. You mean the Mr. Trenholme that I gave you?

Q. No, no, I mean your nephew.—A. George Trenholme—you mean the $14,400, that is Mrs. Trenholme, the widow of my old partner.

Q. She does not take an active part in the business?—A. She is a director of the company.

Q. How many directors have you in the company?—A. Five.

Q. Who is the fifth?—A. My wife.

Q. Does she get any director's fees?—A. No, none whatever.

Q. And can I take this, that Mrs. Trenholme as a director of the company receives $14,400?—A. Well, you see, as I told you, ours is a closed corporation, and as long as Mr. Trenholme lived, we just drew an equal amount. At his death, she just continued to draw the same amount as he had been drawing, and when I got an increase, she got an increase too.

Q. That is because of past relations?—A. Exactly.

Q. Between the two families?—A. Yes.

Q. And the $4,500 paid to your son and to Mrs. Trenholme's son, is that paid for services rendered to the company?—A. For their whole time.

Q. I see, what offices do they occupy in the company?—A. My son is in charge of the plant, and all purchasing. My nephew is in charge of our northern branch, the big branch that we have. Their whole time is given to it.

Q. They are carrying on in the footsteps of the parents.—A. I would like to think they would be the successors.

Q. Which is a very laudable desire. Now, I see down in the account you have an item of $10,855.43, for customary allowances; just what is that?—A. Now—I can explain it myself—all our milk is charged out at full prices, but we have got to make allowances for hospitals and certain charities, certain donations to churches and all that goes with it, while in order to balance our account we have to set up this amount because all the milk is charged to our books at the full prices—customers' allowances—everything is charged.

Q. What portion of that would be customers' allowances?—A. The whole thing.

Q. Customary?—A. It is "customers," is the right word.

Q. Well, the reason I asked that question is, you said something about donations, and so forth.—A. Oh, well, I will tell you it is put in this one by error, it was put in "customary" allowances; and it should be "customers" allowances.

The CHAIRMAN: There is a short item, the one next to it.

Mr. BOWMAN: What did you say, Mr. Chairman?

The CHAIRMAN: There is another short item next to it.

By Mr. Bowman:

Q. Donations—oh, yes, $2,100.—A. What is that? Well, we donate to the federated charities of the different—some of our own and some to Catholic charities, and some to hospitals and Salvation Army—they all have lists and they come to you and you make donations.

Q. Then further down in the list you have, "Less depreciation allowed by Dominion government."—A. What is that?

Q. Less depreciation allowed by Dominion government, $78,023.27.—A. Yes. That is really the depreciation as allowed by the government. Machinery, 15 per cent.

Q. The amount—do you know the amount?—A. I have not got that. May I speak on that; our depreciation is taken exactly as the government allows it; if $100,000 is the depreciation on an article, we can't take any more. So those are only the amounts that were absolutely allowed by the government to be taken off.

Q. Quite true. We want to know what they are, for purposes of comparison.—A. We have not got that in detail, but they total up to $78,023.27. If we take the year before, we could tell approximately what it was.

Q. Tell us what it was for the year before?—A. Well, it was around $78,000 also.

Q. Give us the items?—A. $70,103.

Q. Give us the items, please?—A. Well, on machinery, 15 per cent.

Q. Yes, but how much?—A. We have not got that. We can't give you that.

Q. I thought your book-keeper said if we took 1931— —A. We took off the same, approximately each year, so that if you take the different items, this year $78,023, and last year it was $70,103.

The CHAIRMAN: Are you nearly through, or shall we come back at 3.30?

Mr. BOWMAN: I have not got an awful lot, unless the committee want to get further details in connection with it.

The CHAIRMAN: If you think you can finish in a few minutes, we will go on.

Mr. BOWMAN: Well, I will try.

By Mr. Bowman:

Q. Give us the percentage; we want that for comparison.—A. Buildings, 2½ per cent; horses 15 per cent; rolling stock, 15 per cent; containers, 20 per cent; furniture, 10 per cent; cans, 20 per cent; and motor trucks, 25 per cent the first year and 20 per cent the second.

Q. Those are the details?—A. Yes. Then we have a good number of the above items that have been fully depreciated, so that we can't take anything off them.

Q. So that $78,000 indicates the depreciation, shall I say, on the majority of your property, not on it all, but on the majority?—A. Well, yes, I would say it did.

Q. On what has not yet already been 100 per cent?—A. Yes. We are in a new plant, and it was fitted up very largely with new machinery, so that it makes the depreciation larger than it will be as you do down the years.

Q. And your plant is 100 per cent up to date?—A. I would like to think so; we hope so.

Q. Well, you would not like to say it was only fifty?—A. No. I don't want anything that is slipping.

Q. That is, in your opinion your plant is— —A. Is in good order.

Q. Have you got the accounts set up—a surplus account set up for depreciation?—A. Yes.

Q. What does that amount to?—A. $483,489.14.

Q. What is that surplus for?—A. Well, that is set aside for depreciation on our different property.

Q. Then, for bad debts?—A. Yes.

Q. What have you set up for depreciation for bad debts?—A. That is included in that, $5,000, which I might say is not enough these days.

Q. You have bad debts written off in the 1932 statement amounting to $7,828?—A. Yes.

Q. We had a company that was doing a much smaller business before us, whose write-off for bad debts was $18,000 for one year and $19,000 another year.—A. Our practice is, and always has been, only to write off what is absolutely lost.

Q. You have an item there for good will?—A. Yes.

Q. Do you carry a good will depreciation account?—A. No.

Q. The good will of the business at the present time is set up as $20,000? —A. Yes.

Q. When was that first set up?—A. I think in 1920. Yes, in 1920.

Q. I should imagine it would be 1920, because at that time you had your new organization, and you issued the whole of your non par value shares at 7,500. I notice that in addition to the depreciation that you have just referred to of $78,000 odd for the year 1932, that you have a further depreciation, on page 437, for bottle depreciation and loss, $15,016.04?—A. Yes, that was the amount that our bottle bill cost us in 1932.

Q. That was the actual cost?—A. Yes.

Q. During that year?—A. Yes.

Q. So that can you tell me what rates, in your depreciation which is carried forward to the surplus depreciation account, do you charge there on bottles? —A. None at all.

Q. None at all?—A. No. It is set up on our general statement at $10,000. Bottles, $10,000. That is just a fixed amount.

Q. Well, I suppose that is just a nominal figure, is it not?—A. Yes.

Q. As a matter of fact, what roughly would you say your bottle inventory would be?—A. Oh, it ought to be somewhere between—anywhere from $12,000 to $18,000, I should say.

Q. That is, it would be about the amount of your depreciation over the year?—A. Yes, I think so.

Q. You figure that it takes in a year— ——A. That was the actual amount we spent for bottles.

Q. Yes?—A. That is last year.

Q. And that represents your capital investment in bottles, approximately $15,000?—A. Approximately, yes.

Q. In other words— —A. You see we have made a reduction this last year because after we went into our new plant—the bottle bill was much heavier owing to breakage, in the old plant.

Q. Yes, in other words then, your loss from depreciation, breakage and so forth, equals about what your capital investment in bottles would be in any current year?—A. Just about, that is the way we figure it.

By Mr. Bertarnd:

Q. Just one question. You have declared an answer to Dr. Pickel on March 15 that you were not making ice cream in the Guaranteed Pure Milk company, but that you own a subsidiary company.—A. We do, yes.

Q. What is the name of the company?—A. The Purity Ice Cream Company.

Q. Are we to understand that the Purity Ice Cream Company is owned by yourself?—A. No, we control it, but we have a large number of shareholders.

Q. The shares have been sold to the public?—A. Yes, I might say that Purity Ice Cream was originally started—at least the majority of it—by an American company who came in there, and I bought out their interest in the company.

Q. Consequently you own the greatest part of it?—A. We own the control of it.

Q. Are the same directors of the Guaranteed Pure Milk Company the directors of the Purity Ice Cream?—A. No, I am myself, and my son is one, that is all.

Q. The others are different directors?—A. Yes, different people, yes.

Q. I suppose you receive a salary for being a director of that company also?—A. I do not.

Q. There are no salaries paid?—A. No, I will tell you this, we had one directors' meeting last year, and there was a fee of $10 passed, and on looking it up, I went and didn't get any fee I was the president, and I didn't get any fee.

Q. Is this company making any profit on this operation?—A. Well, it did until last year, but the government undertook to impose a sales tax on us, and it took the profits this year—it was a bad year anyway.

Q. I don't want to be very long but I just want to ask if you are selling some of your surplus milk to that company?—A. No, not one drop.

Q. Are you selling cream to it?—A. Selling both milk and cream to it.

Q. Selling them cream and milk?—A. Just so that I may clear that up in a few words, the Purity Ice Cream, for the milk they get, pay from 5 to 7 cents a gallon over the association price to us, and for cream, we charge them 4 to 5 cents a pound over what we pay for it.

By the Chairman:

Q. In other words, you are just acting as a collecting agency for them?—A. We are selling to them, they are our customers.

By Mr. Bertrand:

Q. On that point I will not push any further. You also own a farm?—A. I do.

Q. I suppose you are very proud of your farm?—A. I am, that is my recreation.

Q. Would you tell us how many acres you have on your farm?—A. Yes, I have about 180.

Q. You have, I understand, about 70 head of cattle there?—A. Yes, I have at the moment—I was counting the other day—there are 62.

Q. Well, I wasn't very far off. In your last year of operation, 1932, have you made a profit on your farm operations?—A. Well, I think—I know that the last time I was there—

Q. I don't think so. A. Some gentlemen here asked me that, and I told them that if I was depending on the profits on that farm, I would have had to walk to Ottawa.

Q. May we ask you how much you lost on its operation?—A. What is that?

Q. What were your losses in operation?—A. I really can't answer that question.

Q. Are you buying milk from that farm for the Guaranteed Pure Milk Company?—A. We buy milk for our certified milk trade from that farm.

Q. How much?—A. I don't know, very little. It is dying away. I was about 200 last year.

Q. What price are you paying for the milk from your farm?—A. For certified milk, we pay them 18 cents, and we sell that certified milk at 25 cents a quart.

Q. And for the other milk?—A. The other milk is sold out in the district where the farm is.

Q. It is not near Montreal?—A. No, it is not very near to Montreal.

Q. And for what purposes are you disposing of that milk?—A. To the summer residents out in that district.

Q. At what price?—A. At the regular prices.

Q. What is the regular price?—A. Nine cents?

Q. Per quart?—A. Yes.

Q. And in spite of selling your milk at 18 cents for certified to the Guranteed Pure Milk Company and retailing the balance at nine cents a quart locally, you still show a loss on your 1932 operation?—A. Well, I want to tell you when I see that farm, it is merely on Sunday afternoon that I see it. Now, when I was a successful farmer as a young man, I was on my feet at 3.30 in morning, and I was there all day long. When you are raising certified milk, you know all the things you have to do, that is an expensive proposition; as far as certified milk is concerned, if we got 40 cents a quart for it, it would not pay.

Q. Following your observations, if you were on the farm to-day getting up in the morning, do you think you could produce milk at to-day's prices and make a profit?—A. You are leading me.

Q. You are leading me to that question.—A. I can't answer.

Q. Do you think that farmers could go on producing milk at prices they are receiving at the present time?—A. I don't think they could.

Q. Can you make any suggestion, as a practical man, and a farmer, and also as a distributor of milk, to deal with the different problems? Would you, for the welfare of the farmers and everybody concerned, be able to suggest anything to this committee that could help us to bring stabilization?—A. One of the first things I think wants to be done, as far as our own city is concerned, is to make the men who are taking milk into the city, provide a bond. We talk about the amount that I show in our statement here, the farmers have lost that many times around Montreal, and I remember—

Q. We know that.—A. It is scandalous the amount of milk that comes in there that is not paid for. I had one decent old farmer come to me last summer and he had put into one plant 36 eight gallon cans of milk, and he got $2.

Q. That is avoiding the question, Mr. Chairman.—A. How avoiding it?

The CHAIRMAN: That is one suggestion.

Mr. BOWMAN: A very good one too.

By Mr. Bertrand:

Q. If we could get at it, we know it is a total loss, and we want to stabilize it so that it would be profitable. The condition he is referring to means a total loss. It would help the committee if you have any suggestion to make that would help us to meet the situation.—A. You know the Chairman called me down for making speeches, and I am not going to start now.

Q. I think, Mr. Chairman, if this gentleman could make a practical contribution to the solution of our difficulties.—A. That would be a matter for conference, let me tell you, and if I could be of any assistance to the industry, I will gladly serve. I would do anything I can.

Mr. BOUCHARD: That is a good suggestion.

WITNESS: We have got to sit around the table and discuss the question.

By Mr. Pickel:

Q. Just one question, Mr. Hogg: I see there is an item down here in your statement under investments of $860,195.69; what are the details of that?—A. Well, the details of that are, that we have that invested in government bonds, various kinds, and municipal bonds.

By the Chairman:

Q. That is from your surplus account?—A. Yes, that is the surplus account.

By Mr. Pickel:

Q. Have you no suggestion to make, following the questions by Mr. Bertrand, as to any manner or means of intelligently controlling the milk supply in the city of Montreal?—A. Well, doctor, let me tell you—you know when a man comes here and he faces a committee of this kind—you know it is not done without your blood rising just a little—you are not thinking very calmly at a time like this, and you know it has been a little difficult on a man like me. I have tried to run my business along decent honest lines, and none will say that we have not paid the farmers what we agreed to. We have not taken any short-cuts. I have the interest of the farmers very much at heart, doctor, and if I can be of service I will be glad to sit in with any of your gentlemen who have something to work out, and if I can furnish anything it will be gladly given. I quite admit that the condition of our farmers is deplorable, and it is too bad. You see butter again yesterday down to 30 cents. My God, what is it going to be; and milk flooding into the market. We cannot keep it back.

The committee adjourned to meet Wednesday, April 26 at 3.30 p.m.

APPENDIX "B"

Information as asked for from Mr. George Hogg, President of The Guaranteed Pure Milk Co. Limited, Montreal, by the Select Committee on Agriculture and Colonization, House of Commons, Ottawa.

Please refer to *Minutes of Evidence*, March 16, 1933.

Page B. 6—

The average price we paid per hundred pounds for all milk other than surplus in 1932 was $1.525.

The above includes premiums.

The average price we paid per hundred pounds for all surplus milk in 1932 was $1.02.

The above includes premiums.

The net price per quart the milk cost us at association prices in 1932 was .0391 cents.

The above includes premiums.

Page B. 7—

There are 38.83 quarts in one hundred pounds of milk (based on 10.31—10.32 specific gravity).

Page D. 1—

Three out of five of our Directors devote their full time performing duties on behalf of the Company.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, APRIL 26, 1933

No. 22

Reference,—Milk and Milk Products

WITNESSES:

C. M. Ruttan, President and General Manager, City Dairy Company Ltd., Toronto.

B. H. Thorne, Regional Accountant, Bordens' Limited.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
WEDNESDAY, April 26, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Carmichael, Fafard, Gobeil, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Pickel, Rowe, Senn, Spotten, Swanston, Stirling, Tummon, Wilson.

C. M. Ruttan, president and general manager of City Dairy Co., Limited, Toronto, and B. H. Thorne, regional accountant, Bordens' Limited, were called, sworn, examined and retired.

Witness Thorne to file certain further evidence.

The meeting adjourned till Thursday, April 27th, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
APRIL 26, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, the committee has met for the purpose of hearing Mr. C. M. Ruttan.

CHARLES M. RUTTAN, called and sworn.

By the Chairman:

Q. Will you give your full name and your position to the committee?—A. Charles M. Ruttan, president and general manager of the City Dairy Co., Limited, Toronto.

Q. Have you a statement to make?—A. Yes.

Mr. Chairman and Gentlemen: You are seeking to determine whether the price received by the producer of milk can be increased and whether the spread upon which the distributor is working and, consequently, the cost to the consumer is fair and reasonable.

It is obvious that if it were simply a question of calculating the cost of producing milk our problem would be easily solved. An accountant furnished with records of a number of average farms could readily find the answer. But, unfortunately, such a calculation does not answer our problem. What then is preventing our arbitrarily setting a purchase price that will give the producer a reasonable profit on his labour and investment? To that price we might add so much for distribution costs and profits and settle this matter offhand. Certainly no one would deny the producer or distributor a reasonable return on his investment for it is a fact that, "Without profits there can be no prosperity".

Then, wherein lies our difficulty? Is it not clear that the interests of the producer, distributor and consumer are regulated by the law of supply and demand, which we oppose if we arbitrarily attempt to fix a purchase price for milk.

For example, let us suppose we draw a circle with a thirty-mile radius around a certain city and say that only producers living within that circle may ship to that city, and that we will establish a price of $1.50 per hundred for milk delivered at the city plants.

From outside that circle we decide that the producers must ship to cheese factories. To-day 77 cents to 80 cents per hundred is the price prevailing for cheese milk in Western Ontario. Do you suppose producers outside that circle would be content (if it cost them only 30 cents to have their milk delivered in the city) to see their neighbour within the circle receive $1.20 net per 100 pounds while they receive 80 cents net, a difference of 40 cents per hundred or actually 50 per cent. I do not think so, at least not until they had satisfied themselves by experience that hold-backs, the maintainance of a level supply and compliance with Medical Health Regulations accounted for that difference. And, when there may be many more producers outside the circle than inside, their voice will be heard and they will demand their rights—they pay taxes on the fine highways that pass their farms and consider they are entitled to use them to their advantage.

In other words, gentlemen, we get back to the application of the law of supply and demand.

I believe it is an accepted fact that notwithstanding the present low price milk has maintained a higher relative value than all other farm products in Ontario. It, consequently, would not seem to be advisable to attempt to curtail the production of the best paying products of the farm in order to adjust supply to demand.

The alternative is to do what we can to increase the consumption of milk and milk products and eliminate controllable factors that tend to lower the producers' price. I would suggest close co-operation between producers and distributors—united action in advertising the value of milk for what it is—the greatest food value that money can buy. The fact that times are hard should increase the consumption of milk and would do so if the public generally had confidence that they were getting value and not given the wrongful impression, through contentious publicity, that they are paying too much.

In Toronto the rapid decline in milk prices, during the past two years, caused friction between the producers and distributers because of a misunderstanding of the fundamental principles underlying the decline of commodity values. Nevertheless, the principal distributors, in an endeavour to co-operate with the Producers' Association, maintained a buying price that simply enabled cut-price distributors to avail themselves of the cheaper milk offering and seriously impair their volume of sales, thereby increasing distribution costs.

The question is frequently asked why consumers' prices have not declined as much as prices received by farmers. As a matter of fact, in most cases, the consumers' prices in cents per quart has declined more than the buying price of fluid milk. In other words, distributors are operating on a narrower margin than they did a year ago.

Since labour is the largest factor in the cost of distributing milk, when prices decline there is a lag in the dealer's ability to reduce distributing costs. That is, wages can only be reduced as the general wage level declines and, as is familiar to all, this is a slow process. It is this lag in wages which is the chief cause of the agitation directed at distributing costs. The fact that the lag works in the opposite direction when prices are advancing is generally overlooked by everyone except the wage earner.

It was only by increased efficiency that the distributor was able to absorb these increased costs without widening the margin. Now, with the decline in prices, the lag in the distributor's margin receives much attention from producers.

This phenomenon is not limited to milk alone; it is common to the prices of all products.

If these relationships were thoroughly understood there would be much less dissatisfaction on the part of producers and consumers alike. A peculiar viewpoint has grown up in regard to milk prices. The question is often asked what percentage of the consumer's dollar does the farmer receive for milk. The false assumption is made that the retail price of milk is the starting point; that the distribution costs are deducted from this and the rest is returned to the farmer. Actually, the reverse is true. The starting point is the buying price of milk in the country, which, in the long run, must be determined by basic prices of milk on alternative markets such as condensaries, cheese factories and creameries. To the manufacturing milk price must be added certain essential differentials which cover superior quality, seasonal uniformity of production, nearness to market, etc. To buying price is added freight and distribution costs. The result is the retail price which is kept at a minimum by competition.

Legitimate distributors are constantly striving to reduce the costs as rapidly as conditions will permit. This is good business on their part because any

inefficiency which results in widening the spread tends to invite new competition and loss of trade. The inevitable lag in the decline of distribution costs does not, however, tend to lower the price paid to producers for milk.

It was not until the formation of the Ontario Whole Milk Producers' Association in 1932 that the organized producers fully realized that their interests and the distributors' interests were identical. The result has been a combined study of the entire situation on the broadest lines, the outcome of which has been the following proposal which I personally believe is workable, having, as it does, due regard to the law of supply and demand and, therefore, avoiding discrimination as between factory and city shippers and at the same time ensuring the city shippers of adequate compensation for the production of a level supply of milk and for the cost of complying with Medical Health Regulations.

These proposals are as follows:—

1. Producers who have a market in the city would not in future sell any milk to any other than their regular distributor—milk not required for use on their farms would be shipped as surplus to their regular distributor, thereby keeping their surplus from competing with their milk sold for street sales.

2. There would be no hold-backs. Distributors who are able to handle any surplus shipped by producers would do so. Those unable to handle surplus, as is the case with many small distributors, would arrange for some other distributor or creamery to handle this surplus.

3. There would be control of the truckers by a joint committee, composed of representatives from the Producers' Association, the distributors and the Truckers' Association to ensure that truckers would not carry surplus milk to other than the regular distributors.

4. So as to give the producer control of their members a form of contract would be agreed and the assistance of the Civic authorities sought to ensure that only producers who are members of the association would be permitted to ship milk of the required standards to distributors.

5. A range of prices would be set:—

(*a*) The top price for all milk sold as fluid milk.

(*b*) A manufactory price for milk required for ice-cream manufacture, standardizing, etc.

(*c*) Butterfat price for all milk used for the manufacture of butter.

6. Zoning would be considered with due regard to the interests of all regular licenced city shippers.

7. Bonding of all buyers and sellers of milk and milk products is considered essential for the protection of the producers.

8. Auditors (acceptable to both producers and distributors) would be appointed to examine the distributors' records to determine the proportions of milk sold for street sales, for manufacturing purposes and as butter so that each shipper to a dairy would receive a blended price based on the exact proportions used for each purpose. In arriving at the blended price consideration would have to be given to the quota allowed each shipper as compared with the fluctuation of his surplus.

It will be apparent that the above plan will tend to prohibit surplus milk from coming into competition with the top price milk. If this can be made 100 per cent effective our problem is solved.

In regard to our own business, our records show that we paid to the producers an average price of $1·505 per hundred for all milk used for street sales during the year 1932.

We operated on a net spread of 5·36 cents per quart and made a net profit of ·27 cents per quart. In other words, if we had paid $10\frac{1}{2}$ cents per hundred more, our fluid milk operations would have resulted in a loss.

I have to submit certain records which I understand you require.

The CHAIRMAN: Now gentlemen, Mr. Ruttan has given us his statement, are there any questions based on it.

By Mr. Bowman:

Q. Mr. Chairman, might I ask Mr. Ruttan if it is his intention to go into the financial structure of the company; I note that Mr. Thorne is with him.—A. No, I would ask that Mr. Thorne be permitted to do that, as he is entirely familiar with it.

Mr. BOWMAN: Well, if the committee have no objection, I would like to examine Mr. Thorne at the present moment with regard to the financial structure of the company.

The CHAIRMAN: If the committee are agreeable, I understand Mr. Bowman has not long to remain with us. If the committee are agreeable we will ask Mr. Thorne to take the stand.

Mr. THORNE, recalled.

The CHAIRMAN: Mr. Thorne, you are already sworn, so that we will take your evidence in that way.

By Mr. Bowman:

Q. Mr. Thorne, I trust you are in a position to give us as clear a statement as you previously presented with respect to the Ottawa Dairy. Would you mind, Mr. Thorne, first of all telling us your position with the City Dairy?—A. Regional accountant of Borden's Limited.

Q. You are the regional accountant?—A. Yes.

Q. And, as you have told us previously, occupy that position with respect to a number of subsidiary companies of Borden's Limited?—A. Yes.

Q. The head office of the parent company being in New York?—A. The head office of the City Dairy?

Q. No, the head office of the parent company.—A. Of the Borden Company, yes.

Q. City Dairies, Limited, that is, I understand, the correct name?—A. City Dairy Company Limited.

Q. City Dairy Company Limited?—A. Yes.

Q. When were they originally incorporated?—A. June, 1900.

Q. What was the capitalization at that time?—A. I only ran back to 1921, Mr. Bowman, on that, I haven't the original figure at 1900.

Q. You have not the original figure at 1900?—A. No.

Q. You could let us have that?—A. I could supply that.

Q. You might give us that. Was there a reconstruction at that time, in 1921?—A. I merely stated at that point, and traced down the capital structure —increases or decreases.

Q. All right, will you start then in 1921?—A. There were issued 5,650 common shares of a par value of $100, or $565,000; and 7,000 preferred shares of a par value of $100, 7 per cent cumulative, or a total of $700,000.

Q. Yes, and were they all issued?—A. All issued, those were all issued shares.

By the Chairman:

Q. Both common and preferred?—A. Both common and preferred, yes.

Q. Might I ask, just as you are going along, Mr. Bowman, was this a change of ownership or a reconstruction?—A. This is prior to the change in ownership.

By Mr. Bowman:

Q. And at that time you say all the preferred stock was issued, the whole 7,000 shares?—A. Yes.

Q. Was there at that time any sale to the public?—A. There was nothing issued between 1921 and 1924, I merely start with 1921 as the opening date.

Q. Yes, I see; at 1921 there was issued 7,000 preferred shares?—A. That is correct.

Q. And 5,650 shares at a par value of $100?—A. Yes.

Q. What was the authorized capital at that time?—A. 10,000 preferred shares, of a par value of $100, and 10,000 common, of the same par value.

Q. Yes, now, what is your next step after 1921?—A. March 27, 1924, the common shares were reduced from a par of $100 to a par of $25.

Q. Yes?—A. That left the money capitalization entirely the same, except the common shares increased 421.

Q. The common shares then became 22,600?—A. Correct.

Q. Yes. Just a minute now, did the preferred remain the same?—A. They remained the same. On June 10, 1927, there were 500 shares of common stock of the new par value of $25 issued to Mr. W. J. Northgrave as a recognition of 25 years' service.

Q. 500 shares?—A. 500 shares.

Q. To Mr. Northway?—A. Northgrave.

Q. Who had been associated with the company 25 years?—A. With the company 25 years.

Q. Making outstanding 23,100 of common stock of a par value of $25?—A. Correct. Now, on October 21, 1927, there was a change in the capital structure, sort of a reorganization of the entire 23,100, $100 common shares of a par value of $25, were converted into 92,400 shares of no par value.

Q. Yes.—A. The preferred shares remained as before.

Q. Yes, remaining as before, at 7,000?—A. Yes.

Q. That was October 21, 1927?—A. That is right.

Q. Yes, so that the 5,650 shares to which you have previously referred, issued in 1921 and having a par value of $100, is now in October, 1927, by the addition of 500 shares,—which you have already told us were issued to Mr. Northgrave—has now become an issue of 92,400 shares.—A. That is correct.

Q. Yes, the next step.—A. On September 10, 1930, the City Dairy Company Limited became merged with the present Borden's Limited.

Q. September 10, 1930?—A. 1930.

Q. Yes, at that time the capitalization is as we have assumed it to be 92,400 shares of no par value, plus 7,000 cumulative 7 per cent preferred?—A. Correct.

Q. All right, what happened then?—A. The capital structure was changed slightly, the no par value shares of common stock, amounting to 92,400, were redeemed or called in.

Q. Just a minute. In redeeming these no par value shares, at what figure were they redeemed.—A. You mean by the Borden Company?

Q. Yes.—A. They were redeemed on a basis of eight shares of City Dairy common for 7 shares of Borden company common.

By the Chairman:

Q. The whole amount?—A. The whole amount, yes.

Q. The Canadian company?—A. Yes, the present Borden's Limited.

By Mr. Bowman:

Q. Then you would have outstanding, representing the previous 92,400 shares of no par value stock of City Dairy Limited—you would have substituted for that 80,850 shares of Borden's Limited?—A. No, it wasn't hardly stated in

that way, Mr. Bowman. After this exchange of stock was completed, you understand these shares were held by outside shareholders, not by the City Dairy Company itself, when that entire issue was redeemed there were issued in place of it, 45,000 shares of common stock of the new City Dairy Company, after the merger, and that issue was redeemed, you see.

Q. What I understand you to say is that of the 92,400 shares of non par value, when the reorganization took place, they substituted for those shares on the same pro rata proportion, 8 shares of the old company to 7 shares of the parent company of Borden's Limited.—A. Yes, in the hands of private shareholders, yes.

Q. In the hands of private shareholders, true; but would the private shareholders not, did they not approve of the deal, and did they not become owners of the new stock, that is, in the parent company?—A. There were 45,000 shares of stock of the company after the merger set up upon the books as common shares then with the ratio of 8 to 7?

Q. I don't just follow you, you received out of 45,000—I think if you take a pencil—.—A. I have it all figured out.

Q. Perhaps you don't need to take a pencil, but the way I have it figured is this, that if you did make an exchange on the basis which you say, there would be substituted for the 92,400 shares, 80,850 shares of Borden's.—A. That is correct.

Q. That is right, where does the 45,000 come in.—A. Well, that I can't answer because that capital stock is set up that way in the book of the City Dairy Company Limited.

Q. Well, there must be some explanation of it.—A. Probably I could dig a little further and get that for you.

Q. Will you? You have traced quite clearly the history of the company since 1921, the various changes which were made in the capital structure in 1924, 1927, and September, 1930; now we have got to a point where it is difficult to reconcile the figures you have given to us.—A. Perhaps a partial explanation would be the increase in value we would say for goodwill, it might have entered into it a little.

Q. Well, all the figures that you have given us show 45,000, that is only about half of the stock issued by Borden's Limited in payment of the previous no par value stock of City Dairy Limited?—A. Yes.

Q. Well, where does the other 35,000 shares come out?—A. I could not answer that other than to say that on the conversion that is probably something for goodwill.

Q. Well then perhaps we could get at it another way; when in 1930 the City Dairy Limited was taken over by the company which now has become the parent company, what then was the capital structure of the company of which you apparently changed the name to City Dairy Company Limited?—A. Yes.

Q. What then was the capital structure of the company as reorganized?—A. 45,000 common shares of a par value of $100 each.

Q. Oh, that is a different proposition; it then became 45,000 shares?—A. Of a par value of $100.

Q. Of a par value of $100, yes, and what else?—A. And 7,000 preferred shares had been redeemed.

Q. When, at that time?—A. At that time.

Q. At what were they redeemed?—A. $135 a share.

Q. Now, perhaps you will correct me if I haven't got this just clear, Mr. Thorne: as the company originally stood in 1921, this City Dairies Limited, the capitalization then set up amounted to $565,000 of common stock?—A. Yes.

Q. $100 par value stock, plus $700,000 of preferred cumulative?—A. Yes.

Q. Making a total of $1,265,000?—A. That is correct.

Q. And the reorganization which took place at the time Borden's took it over in 1930, the capitalization set-up was $4,500,000?—A. Yes.

Q. In other words, the capital structure of the company from 1921 had increased from $1,265,000 to $4,500,000?—A. Yes.

Q. And now, in 1930, have you any record of how this common stock now having a par value of $100, instead of no par value just previous to the reorganization—how that was distributed to the holders of no par value stock?—A. Ratio of eight to seven.

Q. A ratio of 8 to 7?—A. That is, if you are speaking of the 92,000.

Q. Yes, that brings us back to our 80,850; but it does not explain how the 45,000 shares were issued?—A. I haven't anything on that, I could not answer that.

Q. You see the point I am making?—A. Yes, I see it.

Q. I mean, if you issue to the public on the basis which you have told us, which is doubtless what took place, that does not explain how when you come to issue shares having a par value of $100, just how they were distributed among the people who held no par value stock. You can get that information?—A. That can be ascertained.

Q. Will you get that and file it with the clerk?—A. Yes.

Q. This new stock that was issued, 45,000, is that held by the public?—A. That is held by Borden's Limited, outside of the qualifying shares for directors.

Q. In other words, then, the public who did hold both the preferred and common stock in City Dairies Limited were bought out?—A. Yes.

Q. And retired from any further active interest in the company?—A. Yes.

Q. And the stock of the company now is not held by the public, outside of a few qualifying shares, but held by the parent company Borden's Limited?—A. Borden's Limited, that is right.

Q. Now, have you no purchasers at all; for instance, Mr. Thorne, with regard to the taking up of this 80,850 shares—I mean, if the public held those shares they must have been settled with before they surrendered their stock?—A. They were, on the basis of 8 to 7.

Q. Eight to seven in dollars or eight to seven in shares?—A. In shares.

Q. But even when they got the shares, those shares are not held by the public at the present time, are they?—A. No. When they were taken up, this new issue of 45,000 went over to the parent company, Borden's Limited, outside of the qualifying shares.

Q. But what happened to the Borden's Limited shares, the parent company's shares, that were issued, as you say, seven for eight of the old company?—A. They were paid to the shareholders.

Q. And they still hold them?—A. As far as I know, unless they have sold them.

Q. Well, I mean they are held by someone, the public generally?—A. Yes.

Q. Or the previous holders?—A. Yes. The stock records were closed out at that time, the stock books.

Q. That is the books of the City Dairy?—A. Yes.

Q. And they became, instead of owners of stock in City Dairy, holders of stock in the parent company?—A. In the parent company, yes.

The Chairman: And they still hold them.

By Mr. Bowman:

Q. And they still hold the stock in the parent company?—A. Unless they have sold it.

The Chairman: It is still in circulation.

By Mr. Bowman:

Q. Yes, it is in circulation?—A. Yes.

Q. In other words, we can take it that so far as the general public are concerned, or shall I say the shareholders who had previously been interested in City Dairy Limited, no further have any specific interest in that company, but now are shareholders of the parent company, Borden's Limited?—A. They hold shares of the Borden Company in New York.

The CHAIRMAN: Might it not be interesting just there, Mr. Bowman, to ask what is the comparative value of that old stock to-day, and at that time?

Mr. BOWMAN: Well, the only point there, as you are aware, Mr. Chairman, Borden's Limited, the parent company stock is quoted on the New York exchange and has varied very considerably from 1928 down to the present time, and I suppose the actual value would be what its actual value on the exchange is.

Mr. TUMMON: No.

Mr. BOWMAN: Well, its actual value in this way, it will bring a certain amount of cash if you want to sell your stock.

The CHAIRMAN: I know that.

Mr. BOWMAN: Was there some other point you had in mind, Mr. Chairman?

The CHAIRMAN: Yes. It had a value at the time that the exchange was made. That is what I was trying to get at.

Mr. BOWMAN: Yes.

By Mr. Bowman:

Q. Could you tell us, Mr. Thorne, at the time this exchange was made in 1930, what the selling value of Borden's Limited stock was at that time?—A. Set up on the balance sheet at $6.25 a share.

Q. Set up on the balance sheet?—A Yes, at $6.25 a share.

Q. Just let me make a little calculation.

By the Chairman:

Q. Were the values not quoted at that time, Mr. Thorne?—A. You mean on the balance sheet?

Q. No, in the open market?—A. That I could not say.

Q. If you can't say, there is not much use in asking.—A. I can only report as for the company.

Mr. SPOTTON: Mr. Chairman, I would suggest that you speak to the chairman and to the witness, and ask him to speak a little louder. This is a large hall.

The CHAIRMAN: Very well.

Mr. BOWMAN: That is the book value; but what the Chairman asked, as I understand, is what was the market value at that time.

The CHAIRMAN: Yes.

The WITNESS: I have not any values on that.

Mr. BOWMAN: In that connection, Mr. Chairman, I should imagine that one could get from the proper official of the New York exchange, the selling price of the stock at that time, and for the purposes you have in mind, compare it with the book value which Mr. Thorne has just given us as $6.25 per share.

Mr. PICKEL: It is 22.

Mr. BOWMAN: That is to-day, I think.

The CHAIRMAN: That is all right. Go ahead.

By Mr. Bowman:

Q. Now, you have been asked, Mr. Thorne, to bring with you to-day a statement of the profit and loss account for last year; have you that in hand?—A. City Dairy Company Limited, yes. Do you wish me to read it?

Q. Yes.—A. City Dairy Company Limited, analyzed statement of net income, 1932: Net sales, $2,885,982.52.

Q. Just one second—is that in the statement which Mr. Ruttan filed?—A. It is ready to be filed.

Q. Have you an extra copy?—A. Yes, we have.

Q. May I have a look at it, and I might perhaps follow you a little more easily. I think, Mr. Chairman, for the benefit and information of the committee, Mr. Thorne had better read the statement, and we can get such figures as may be of use as he goes along.

The CHAIRMAN: Yes.

The WITNESS: You have the figure of net sales, $2,885,982.52. Net cost of sales; the first item is cost of products, milk and milk products including freight and hauling, $1,205,085.77.

By Mr. Bowman:

Q. Just a minute—you have probably given me the wrong page of this; you are more familiar with it than I am.—A. It has probably turned over. There it is.

Q. All right, thank you.—A. Purchased butter, eggs and cheese, $37,582.24; sugar for ice cream and condensed, $11,697.96. Total cost of products, $1,254,365.97. Production expenses: Salaries and wages, $153,631.25; expense, $48,923.41; materials, $145,966.38; depreciation, $21,920.91; insurance, $1,684.12; taxes, $7,316.43; other property expense, $95 even; administrative expense (actual), $32,408.76; administrative expense (transfer), $1,837.05. Total production expense, $413,783.31.

Selling and delivery expense: Salaries, wages and commission, $599,091.87; expense, $239,911.57; materials, $47,864.42; depreciation, $29,240.25; insurance, $3,779.54; taxes, $9,284.41; other property expense, $2,423.34; administrative expense (actual), $32,408.76; administrative expense (transfer), $1,837.05. Total selling and delivery expense, $965,841.21.

Provision for bad debts (milk), $28,985.49; advertising, $52,985.85; bottle, box and can losses (including repairs), $37,464.04. Total cost of sales, $2,753,425.87. Net profit, $132,556.65.

Income additions: Interest received (net), $41,510.61; profit or loss on materials sold, $429.40; farm operations (loss), $6,780.38.

Income deductions: Dominion income taxes, $20,152.07; provincial, franchise or corporations taxes, $7,491.26; expenses on idle property, $2,422.15; which is a profit although under deductions. Total income deductions, $25,221.18. Total net income, $142,495.10.

Q. Now, have you the figures showing what the net income was for last year?—A. Yes.

Q. What did that amount to—I mean 1931; you have just given us it for 1932.—A. $263,245.65.

Q. And for 1930?—A. $247,021.31.

Q. And for 1929?—A. $362,928.01.

Q. And for 1928?—A. $327,963.45.

By the Chairman:

Q. Have you the total of that, those five years?—A. I have not, no; I could add it up for you, though.

Mr. BOWMAN: I am sorry, I didn't get the opportunity of taking down the details and adding them up for you. Probably we will get it later.

The CHAIRMAN: It is all right.

The WITNESS: I have that, Mr. Chairman, if you would like it. That totals $1,368,231.37.

By Mr. Bowman:

Q. That income for the period in question which you have just given to the committee, represents the net income after depreciation, write-off for bad debts, and the customary allowances made in the business?—A. Yes.

Q. You set up, I presume, the usual reserve account?—A. Yes.

Q. How does that account stand at the present time? What balance is there in the account, in your reserve account, first of all for depreciation; what is the total balance for depreciation? A. As of December 31, 1932, $743,002.97.

Q. That is for depreciation?—A. Right.

Q. Have you got the details of that depreciation; I suppose that you would not have the details in that particular account. I will take one year.—A. I have the amount that was provided during 1932.

Q. That would be on the same basis, then. Would you mind giving it to us for the year 1932?—A. On buildings, this is a provision set up during 1932, $13,503.68.

Q. What percentage, what is the basis?—A. That ran from two per cent on brick and concrete buildings to five per cent on a frame building.

Q. All right. In giving the other figures, just give us the basis as you go along. A. Machinery, tools and equipment, $20,466.58, comprising six per cent on dairy machinery and equipment, 10 per cent on ice cream manufacturing equipment, and eight per cent on farm equipment.

Q. Speaking from memory, that is the same basis,—the percentages are the same basis on which you figured the Ottawa Dairy Limited?—A. They are standardized, yes. The mechanical refrigerator cabinets $27,442.54 on the basis of 10 per cent; motor vehicles, $14,073.37. That is on a basis of 25 per cent for passenger vehicles, 12½ per cent for trucks over 2½ tons, 20 per cent for trucks under 2½ tons; horses $8,337.80, on a basis of $30 per year per horse; wagons $7,469.61, on a basis of 10 per cent; cattle $1,406, basis of $18 per year per cow; furniture and fixtures $1,163.71, on a basis of 6 per cent, making a total of $93,863.32.

Q. What other reserves did you set up in 1932?—A. Reserves for fire insurance, self covered.

Q. Self covered, don't bother about that. What other reserves besides that?—A. Nothing but surplus, outside of reserves for bad debts.

Q. What is your reserve for bad debts?—A. As at December 31, 1932, $16,404.88.

Q. Do you mean that is for the year 1932?—A. That was the balance in the account for 1932.

Q. Which comprises part of that $849,000 you gave us a moment ago?—A. $849,000?

Q. You gave us a figure a moment ago of reserves set up in your account, $849,000.—A. That was depreciation.

Q. Depreciation?—A. Yes.

Q. Reserve for depreciation?—A. Yes, only.

Q. I think probably we should have that insurance figure so we can reconcile your statement as it will be filed.—A. The balance in the account as at December 31, 1932, was $976.52.

Q. Any other reserves?—A. Nothing but surplus.

Q. What does that amount to?—A. $916,784.33.

By the Chairman:

Q. Will you repeat that figure?—A. $916,784 33.

By Mr. Bowman:

Q. Making a total of what?—A. Of fire insurance?

Q. Of all your reserves.—A. We do not submit it just that way in the balance sheet. We take reserve for all debts and subtract them from our accounts receivable.

Q. In any event, you have first of all reserves for depreciation?—A. Yes.

Q. $800,000— —A. $743,002.97.

Q. Then, reserve for insurance?—A. $976.52.

Q. That is for all bad accounts, bad debts?—A. $16,104.88.

Q. Give us the amount for surplus.—A. $916,784.33.

Q. Those are all the reserves that are set up?—A. That completes the list.

Q. Since the reorganization in 1930, what has the company's policy been with respect to dividends?—A. The accrued dividend in 1930, up to September 19, was paid on the common and preferred shares.

Q. Up until what date?—A. Up until September 19, 1930; that was the actual date.

Q. At the time it was taken over by the parent company?—A. Yes.

Q. Since then— —A. Since then there was a transfer of the stock ownership of the Dry Milk Company, amounting to $500,000, which was passed out in the form of dividend on the common stock of the City Dairy Limited to Borden's Limited.

Q. Would you mind repeating that, I did not get it?—A. The only other dividend declared since September 19, 1930, was the stock ownership of the Dry Milk Company Limited.

Q. Of Toronto?—A. Of the Dry Milk Company Limited, which was accomplished through the transfer of $500,000 as a dividend in stock to Borden's Limited. The necessary number of shares of stock of City Dairy Limited were cancelled, and they were transferred in an accounting entry as a dividend through the books of the City Dairy Limited, and passed out to Borden's Limited. It was merely a transfer of ownership of the Dry Milk Company; that is all.

By the Chairman:

Q. Was it deducted from the 45,000?—A. Yes.

By Mr. Bowman:

Q. Go on.—A. I have not finished with the entire structure.

Q. Would you mind doing so, as I thought we had completed it.—A. The last item I gave you was the issuance of 45,000 common shares of the par value of $100, amounting to $4,500,000 after acquisition.

Q. That is where we left off.—A. In October, 1931, 6,000 common shares of the par value of $100 of City Dairy Limited common stock were cancelled, amounting to $600,000, and $500,000 of that were transferred to Borden's Limited.

Q. Just a moment. You say 6,000?—A. 6,000—all right, I am coming to that.

Q. No; you say 6,000 shares of a par value of $100 were cancelled?—A. Yes.

Q. That is out of the authorized capital?—A. Out of the authorized capital, yes.

Q. What was the authorized capital at that time?—A. 50,000 shares of common, $100 par value.

The CHAIRMAN: 50,000. Well, we are lost now.

Mr. BOWMAN: The point is this, Mr. Chairman: There is a step in there, is there not Mr. Thorne?

By Mr. Bowman:

Q.You had issued 45,000 shares with a par value of $100?—A. Yes.

Q. If your authorized capital was 50,000, how did you cancel 6,000 shares?—A. I would say those 6,000 were part of the 45,000.

Q. Part of the 45,000?—A. Yes.

Q. That is, the parent company surrendered 6,000 shares of the 45,000 that they had received on the recapitalization?—A. Yes.

Q. That was issued to them on recapitalization?—A. Yes.

Q. All right.—A. Now, $500,000 worth of the $600,000 that were cancelled, were transferred to Borden's Limited to cover the City Dairy's investment in the Dry Milk Company, which was passing over to Borden's Limited for stock control.

Q. Had they purchased this plant at that time?—A. No, the City Dairy had always owned the Dry Milk Company Limited.

By the Chairman:

Q. Now, Borden's were acquiring it?—A. Yes, they acquired it at the same time as they acquired the City Dairy.

By Mr. Bowman:

Q. The whole transaction was represented by the issuing of 45,000 shares which covered the subsidiary of City Dairy Limited?—A. Yes.

Q. It was really a book transaction?—A. That is all; it was a transfer of ownership.

Q. What else?—A. That left $100,000 still to be disposed of, and they were in turn transferred to Borden's Limited to cover the stock ownership of the City Dairy Farms Limited, which was another subsidiary of the City Dairy Limited so that accounted for the entire $600,000. For accounting purposes, it is merely termed dividend, and transferred through the City Dairy books.

Q. Not a cash transaction?—A. No cash. On December 13, 1932, an additional 14,000 shares of common stock of the original 45,000 were cancelled, and a corresponding reduction made in the value of goodwill, trademarks, patents and goodwill.

By Mr. Bowman:

Q. In other words, goodwill and so forth were written down.—A. They were written down, $500,000.

Q. Leaving at the time we are talking about, how much common stock?—A. 25,000 common shares of a par value of $100, or $2,500,000.

Q. Really, the latter entries you have given us are more or less book transactions?—A. That is all.

Q. And is that the final step?—A. Yes.

Q. So that at the present time there are outstanding 25,000 $100 par value common stock, certificates of which are held by the parent company.—A. Outside of the qualifying shares, yes.

Q. Let us go back a moment to the profit and loss account, or the income account. I trust I am not trespassing too much on the time of the committee. It has been a little difficult, as I have not had the advantage of seeing those figures; perhaps I am a little slower than I otherwise would be. Is there any administrative charge made by the parent company in respect to City Dairy Limited?—A. Only insofar as the expenses of the board of directorate of Borden's Limited.

Q. What portion was that for 1932; what was the amount?—A. I have it here somewhere.

Q. I think perhaps it is in the statement you read to us.—A. I just wish to confirm that too.

Q. You have administrative expenses, actual, $32,408.76.—A. The total of these would be $3,641.10.

Q. Total of what?—A. $3,674.10, I should say.

Q. Total of what?—A. Total of administrative charges in 1932, paid to the parent company, Borden's Limited.

Q. That is the figure you have just given us?—A. Yes, the last one.

Q. What are those two items you have shown in the annual profit and loss account? You have a figure there as follows: "administrative expenses, actual." —A. That means the City Dairy actual administrative charges of their own property.

Q. That is of the plant itself?—A. Yes.

Q. Staff and so forth?—A. Staff, executive, accounting department, and so on.

Q. Would you give us details for 1932?—A. Item by item?

Q. Yes.—A. No, I am sorry I have not that, Mr. Bowman.

Q. Can you give us the larger items that go to make it up?—A. I can give you part of the executive salary, that is all.

Q. Perhaps you might give us that?—A. $14,741.88 would represent the executive salaries paid in 1932.

Q. What do you include in executive salaries?—A. President, vice-president, secretary, assistant treasurer—no, I am wrong in the vice-president. There is no vice-president receiving salary.

Q. Are these all active in the affairs of the company?—A. Yes.

Q. You set up in 1932 for bad debts, milk $28,985.49; on what basis do you set that up; is that a standard basis?—A. Yes, a standard basis.

Q. Which has been in force how many years? I notice it is one per cent of the net sales?—A. That has been in since acquisition. The rates were standardized since acquisition.

Q. Since 1930?—A. Yes.

Q. You set them annually from time to time? This is one per cent.—A. Just at the moment, yes.

Q. Of your net sales?—A. Yes.

Q. Do you charge from year to year?—A. Depending on circumstances.

Q. Was there any difference in 1930 and 1932?—A. I would say in 1931 there was a smaller provision set up.

Q. Then your rate is changed in accordance with the times?—A. Yes.

Q. That is set up, as I said a moment ago, on a basis of 1 per cent net sales of milk?—A. Yes.

Q. Consequently, your milk sales would be approximately 2,898,549?—A. If you speak of milk alone and leave cream it is 1,566,937. Milk includes cream.

Q. It should include other products as well?—A. It includes everything but ice cream.

Q. In respect to the matter of depreciation, I note that you set up the other day 6 per cent on depreciation for machinery which is used in the manufacture of milk?—A. Yes.

Q. Has your company found from actual experience and practice that is a reasonable amount to set up for depreciation?—A. Well, on an average.

Q. I mean for machinery used in the manufacture of milk?—A. The average company, yes.

Q. What would you say to a depreciation of 15 per cent?—A. High.

Q. Now, does the parent company make any withdrawals in cash from the subsidiary company limited?—A. The parent company does not actually withdraw it, but there are various transfers made to another Canadian company entirely within the control of the sending company.

Q. You say a Canadian company?—A. Yes.

Q. Which is really acting for the parent company?—A. Yes.

Q. And what is the practice with regard to those withdrawals?—A. It is treated merely as a loan account, account receivable. If any other company in the organization needs a little money they can borrow it from that revolving fund.

Q. How many subsidiaries of Borden's Limited have you in Canada?—A. Eleven fluid milk and ice cream and four in the manufacturing division.

Q. There is a central organization at Toronto representing the parent company in New York?—A. You mean for depositing purposes?

Q. Yes.—A. Yes.

Q. For depositing purposes; and that central organization, controlling as it does the stock of all the subsidiary companies, really has a right to withdraw, as you say, from the different subsidiary companies from time to time such amounts as perhaps they think the subsidiary companies can spare that the central fund require?—A. Actually it is treated as accounts receivable on the books of the Canadian company.

Q. And that money which is transferred to that central fund, I suppose is more or less available for the purpose of paying dividends or for such other purposes as the company may desire?—A. No dividends have been paid in Canada.

Q. The dividends have all been paid by the parent company?—A. Exactly.

Q. You have said that in Canada there are 11 subsidiary companies plus four other companies?—A. Yes.

Q. How, for instance, do the profits of those companies get to the parent company in order that they may be distributed to the shareholders of the parent company?—A. They are not distributed in the form of dividends.

Q. How are they distributed?—A. They may draw if necessary from the surplus in cash which is kept in one separate deposit account.

Q. That is at Toronto?—A. At Toronto; and it in turn is charged up against the Borden company by the company that received it.

Q. Is that not what I said a moment ago: that the central fund was, whether you call it directly or not—you say indirectly—was made available for purposes of paying dividends or could be made available if the parent company so desired?—A. I would say for two purposes. It might be used for dividend purposes if a dividend was declared by any of the Canadian companies or if another company wanted to borrow some they could borrow from that fund.

Q. But it is not the practice of the parent company to have the subsidiary companies in themselves declare dividends?—A. I would not say that; they have not declared any.

Q. They have not for the simple reason, which must appear to you to be quite plain, that the stock held by the public in all these different companies—original stock in the individual companies—has been transferred and has become the stock of the parent company, and, consequently, any dividends that must be declared must be declared by the parent company; is that correct?—A. That is true.

Q. And so you would have in this central fund monies that might be available, if the company so desired, for the payment of dividends?—A. Yes.

Q. Not on any individual company, but for the purpose of payment of dividends on the company taken as a group?—A. It could be construed in that way.

By the Chairman:

Q. Do I understand you to say that no such dividends had been declared? —A. That is correct.

Mr. BOWMAN: By the individual companies.

The CHAIRMAN: By Canadian Borden's.

The WITNESS: That is correct.

Mr. BOWMAN: They do not declare any dividends. Correct me if I am wrong, Mr. Thorne, as I conceive this organization. Mr. Chairman, I understand it to be this, that all the stock in such subsidiary companies, as the one we are treating to-day, is 45,000 shares of $100 par value. That stock is held by the parent company in New York. The public do not own a cent of it at all or a share. Only one or two or probably 5 or 10 shares are held by individuals in order that they may qualify as directors. The rest of the stock is held by the parent company; but at the time of the organization of the company, as explained by the witness, there were issued shares in Borden's Limited, and those shares are held by the public—not shares in the City Dairy Company Limited at all.

The WITNESS: Allow me to correct you there. Borden's Limited shares are turned over to the Borden's company as the parent company, and the public hold shares in the Borden's company in New York.

By Mr. Bowman:

Q. That is what I said?—A. I misunderstood you.

Q. Perhaps I said something I did not intend to say. That is what I meant to say. That is, that the public hold shares in Borden's Limited of New York? —A. The Borden's company of New York.

Q. What is the correct name of the company?—A. The Borden's company of New York.

By the Chairman:

Q. What is Borden's Limited?—A. That is the holding company in Canada.

Q. In which the original owners of the shares in the old City Dairy at present hold 92,400?—A. No.

By Mr. Bowman:

Q. All the stock is held by the head office company in the city of New York, and, consequently, the reason I asked the question was that the monies are available at Toronto, the head office of the company in Canada—those funds can be made available by the parent company for the purposes of paying dividends of the company as a group. Just to clear up any misconception, Mr. Thorne, I suppose the company at Toronto is just a small capitalized company? —A. No, it is the Borden's Company Limited.

Q. The subsidiary of the parent company?—A. A subsidiary of Borden's Limited.

Q. Really the representative in Canada?—A. Yes.

Q. That is really what it amounts to?—A. Yes.

Q. And the stock of that company is held by the parent company in New York?—A. Through Borden's Limited.

Q. The stock in Borden's Limited is held by the parent company in New York?—A. Yes.

Q. Let me repeat again: all the stock in any of those different subsidiary companies, eleven companies plus four companies—the stock in all those four companies is held as stock in the parent company in the city of New York?—A. Eventually.

Q. Eventually that is what happens; and any dividends that are paid and have been paid up to date inasfar as the Canadian group is concerned have been paid by the parent company in the city of New York?—A. That is right.

Q. Have you any memoranda showing the value of the property as taken over by the Borden's company in 1930?—A. You mean of the entire company?

Q. Any appraisal—not of the parent company—of the City Dairies Limited?—A. No. I have not. I just have the capital stock valuation at that time.

Q. I suppose there would be an appraisal made at that time?—A. Yes. We can break the values down into the form of a balance sheet if you like.

Q. Yes, I would like that, Mr. Thorne. I wish Mr. Thorne would leave this appraisal at that time in 1931 with the clerk?—A. It would not be in the nature of an appraisal; it would be a copy of the balance sheet.

Q. I think, Mr. Chairman, that practically covers all I want to ask at the present time. However, there is one thing I want to place on the record before we finish with Mr. Thorne's evidence. I understand that the position of Borden's stock on the New York exchange as of this morning's date was approximately $29. I think by looking back in the records of the exchange for September, 1930, the committee would have information of the value of the stock at that time?—A. I understand—if I misunderstood your form of question as to the value of the Borden's stock at that time—was that one of your questions; the date of acquisition?

Q. Yes.—A. It was $80 a share.

By Mr. Spotton:

Q. If Mr. Thorne cannot give us information, how are we going to get back further than 1921 in the City Dairy in Toronto? If Mr. Thorne cannot give us this whom can we call? I would like to get the financial structure of this company right from the beginning.

The CHAIRMAN: Perhaps Mr. Thorne could give you that—would tell you where that information could be found.

The WITNESS: I know that the general ledger is available back to 1900—of the City Dairy Company Limited is available back to 1900.

By Mr. Spotton:

Q. In the office at——A. Spadina Crescent.

Q. In your head office?—A. No.

Q. In the office of the City Dairy. Who could we call to give us the workings of the financial end of the City Dairy since its inception in 1900?—A. I could secure that for you if you knew what you want.

Q. We want everything.—A. What do you mean by everything?

Q. We want everything. You know it is in the air that a man who put up $1,000 in the City Dairy got $10,000 out, and these things may not be true but it just leaves a bad taste in the mouth of the people that the Dairy Companies have been robbing the people. I would like, in this particular instance of the City Dairy, that we would go right from the beginning if you could do that another day?—A. I could give you a transcript of the balance sheet by years which would show the approximate—

Q. We would like to get somebody that was there from the beginning and worked up. These balance sheets, you know what they are. Who was the originator? Who started the company?—A. Perhaps Mr. Ruttan would be better qualified to answer that.

Q. Your head office is in New York?—A. Now, just which head office do you refer to?

Q. Of Borden's company?—A. Of the Borden's company.

Q. Now, your registered company is in New Jersey?—A. You are speaking still of the Borden's Company?

Q. Yes.—A. They are registered in the state of New Jersey.

Q. And they held their annual meeting in the state of New Jersey?—A. Yes, at Jersey City.

Q. At Jersey City in the state of New Jersey, they go into retreat there for their annual meeting?—A. They hold their annual meeting there.

Q. But their head office of everything is in New York, that is their real head office?—A. Yes, at 350 Madison Avenue.

Q. And in Canada they have no head office?—A. Spadina Crescent, Toronto.

The CHAIRMAN: That is the Canadian office you mean.

Mr. TUMMON: That is the administration office for Canada.

By Mr. Spotton:

Q. Well, but there is no administrator here, it may be the office, but Mr. Thorne is the administrator; however, we were at that the other day, we did not get very far—there is really no Canadian head office?—A. I think you will find that the application for charter specifies Spadina Crescent, Toronto.

Q. I know, just like your registered office is in New Jersey—do you occupy an office in Jersey City?—A. Yes, there is an office there.

Q. I beg your pardon?—A. Yes, there is.

Q. Just an office in a hotel where they hold their annual meeting?—A. I don't know whether it is in a hotel.

Q. Now, this is just for curiosity. Why do you call New York the head office and yet when you hold your annual meetings you go back to Jersey City in New Jersey?—A. Well, the company was incorporated away back in 1870 when possibly the state of New Jersey was a little bit larger than New York, it might have meant a little more prestige.

Q. That is of no interest to us. If Mr. Tummon will just excuse me, Mr. Thorne has been kind enough to correct a statement; I just want to know whether this is correct: when I asked a question as to how much money the companies in Canada had sent over to the grandparent company in New York since 1928 Mr. Thorne says "I have already answered that." My question, "well, then, if you have will you answer it again"; and Mr. Thorne said "nil". My question, "but it is on call, it is here on call". Mr. Thorne, "yes". I find that Mr. Thorne corrects that by this?—A. Yes.

Q. That there has been—I wish to thank him for the correction—that there has been forwarded from the companies in Canada to the United States, New York, in cash since 1928 $6,229,635.75. Then, of course, in the statement it says cash has been sent over here, and then they estimate what the dividends are. I don't know what that cash was, sent over there, whether it was sent over for the control of stock—to buy up the stock—or what; but that is the money, that was Mr. Thorne's correction?—A. Perhaps you would like me to read my entire corrected statement on that, Mr. Spotton.

Q. Oh, so far as I am concerned, it is only a matter of trying to correct the feeling that might get abroad that the United States is draining Canada of Canadian dollars, and it is just showing that American dollars, you know, were sent back, and I don't think it is necessary; they claim to have sent back all of this in cash and estimated dividends to people who hold stock in the parent company of about $354,000 of that amount which they sent. So, in all, that was for buying stock in City Dairy in Toronto, or the Ottawa Dairy or it was put into operating expenses?—A. Oh, no.

Q. It was cash that was actually paid?—A. Actual cash, yes. That last figure represented excess United States funds sent to Canada over and above what was withdrawn as an account received.

Q. Of course, you take in the dividends that were sent to people who had purchased Borden's stock long before you ever came here, and everything like that?—A. Yes.

Q. And over and above this $6,229,635.75 you have millions here on call which you could pull over to the United States at any time?—A. Yes.

By the Chairman:

Q. Just a moment before you proceed, doctor, I want to clear up one thing there. If I understood you correctly you said the surplus in your profit and loss account at the present time was $916,000?—A. $916,784.33.

Q. Is that exclusive of any moneys that have been transferred to the New York office from the City Dairies?—A. You know how surplus is made up, it is merely the difference between the assets and the liabilities, capital stock and reserve—the difference is surplus.

Q. I don't know?—A. Now, this would be merely the balance between assets and liabilities. If City Dairy had an account receivable of the Borden's Company Limited as the result of depositing money to their credit that would figure in this surplus; in the net, naturally.

Q. It does figure in this surplus really?—A. Yes, now I think I can answer that by saying it is all in the figure at the moment.

Q. But this present City Dairy Limited is credited for another amount that they sent too?—A. Yes.

Q. And it is really included in this balance sheet?—A. Indirectly, yes.

By Mr. Pickel:

Q. That was one question that I was going to ask Mr. Thorne, Mr. Chairman; and there is one other one—the Borden Company bought a farm in Toronto with the old City Dairy; can you tell us?—A. Just how do you mean?

Q. They had a dry milk plant, and then there was a farm besides that they purchased?—A. The City Dairy had a farm which was a subsidiary company of the City Dairy Company.

Q. That was purchased by the Bordens?—A. That was turned over after the merger.

Q. $100,000?—A. $100,000, yes.

Q. Do you know anything about the working of that farm?—A. In what way.

Q. What dividends it paid last year?—A. No dividends.

Q. What was its deficit?—A. In 1928 there was a profit of $142.13; in 1929 a profit of $207.48; in 1930 a loss of $7,174.45; in 1931 a loss of $5,592.85; and in 1932 a loss of $6,780.38.

Q. In these calculations, Mr. Thorne, do you allow the same price for the milk that you produce coming from that farm as you allow to producers?—A. I would rather Mr. Ruttan would answer that, it is part of his operations.

Mr. RUTTAN: I can answer that.

The CHAIRMAN: All right.—A. The City Dairy Farm is not operated as a commercial venture, it is a farm at which we produce certified milk. The milk has to be bottled, shipped in iced cases, and was sold at a special rate. The sale of that certified milk is gradually dwindling and a few months ago we decided to discontinue its operations as a certified milk farm. To run it as a commercial venture we would have to add a great many cattle there. It was not a commercial venture, it was a farm for the production of a limited quantity of certified milk, and it can not be taken as comparison on the operations of a commercial farm.

Q. What do you sell that certified milk for?—A. Prices vary, we were selling it at 24 cents—I can remember one time; and we were selling it at twenty—.

Q. What would be allowed the farm for that milk?—A. The farm would receive the commercial price, and I believe half the difference between the retail price of standard milk and the price obtained for that certified milk.

By Mr. Tummon:

Q. Mr. Ruttan, you have been in the milk business in Toronto, I presume, for some time?—A. In Toronto, no; four years in Toronto.

Q. You were prior to that?—A. Prior to that I was with a subsidiary company of the City Dairy Company, the Dried Milk Company, stationed at Winnipeg as special sales representative for Western Canada.

Q. I see. Can you tell the Committee how many distributors there are in the city of Toronto?—A. Distributors?

Q. Yes.—A. Approximately 52, and in addition I believe a certain number of pedlars who buy milk from small distributors.

Q. Now, you spoke a little while ago about a producers' association, it was in your report, I think? Do all these fifty odd organizations, or distributors, co-operate with the producers' association?—A. Not entirely, there would be about four-fifths of them who do co-operate with the producers' association.

Q. Your company is one of those who co-operate?—A. One of those, yes.

Q. In arranging the prices that the distributor shall pay to the producer, how do you proceed to arrive at the price?—A. You mean, if a price change is to take place?

Q. Yes; you meet together, I presume?—A. We meet the producers' representatives, yes; and discuss the matter with them.

Q. The producers are represented, I presume, by an executive committee?—A. Yes.

Q. Do the distributors have an executive committee likewise?—A. A number of us meet togther, yes.

Q. Beforehand?—A. At times; and at times no.

Q. But, nevertheless there must be—not the entire fifty—or forty-five or forty, as the case might be—would meet the producers' executive?—A. Quite true.

Q. They do sometimes?—A. No, no—not the entire forty or fifty, no.

Q. Or represented by an executive committee representing the distributors?—A. Yes.

Q. Have the distributors an organization in Toronto?—A. They have, yes; they call that a Bottle Association.

Q. A bottle association?—A. I'd like to give you the exact name of that association, the Toronto Dairymen's Bottle Association; the members of that association use universal bottles for sales to stores.

By Mr. Pickel:

Q. Is that just for milk?—A. That is for milk.

By Mr. Tummon:

Q. Nothing personal now?—A. That is for milk, and the reason for that is so that in using these universal bottles in delivering to stores a charge is placed on bottles of 5 cents, the store in selling the bottle to the consumer charges the 5 cents and he redeems that bottle when it is brought back and so on. We thereby save a loss on bottles which would otherwise go astray.

Q. And as a result of that bottle organization you are in a position to discuss any matters that relate to the setting of prices?—A. Yes, undoubtedly.

Q. Now, do all these distributing plants, some fifty odd, pasteurize their product?—A. Yes. Pasteurization is compulsory in Toronto.

Q. Pasteurization is compulsory in Toronto?—A. With the exception of the certified milk which our company was selling, but which we have discontinued; so therefore I say that pasteurization is entirely compulsory now in Toronto.

Q. The city have regulations demanding it?—A. Yes, indeed.

Q. How many classes of milk does your company sell, Mr. Ruttan?—A. We sell what we call a standard milk.

Q. A standard milk?—A. Yes, and that standard milk may be homogenized or not; if you want that classification, we sell also a jersey milk and a guernsey milk, running at the same prices.

Q. The guernsey and jersey are the same prices?—A. Yes.

Q. Yes, I would imagine so. That standardized milk, does that mean that that milk contains a standard butter fat content?—A. No. I beg your pardon, I didn't say standardized milk, I said what we call our standard milk.

Q. Well, your standard milk?—A. Standardization is not permitted. In other words, you must sell milk as you receive it.

Q. Not under 3·25?—A. 3·25 is the limited.

Q. The minimum?—A. The limit under the city medical health regulations, yes.

Q. Just as a matter of information, Mr. Ruttan, would you be prepared to say what the pasteurization cost per gallon for milk is?—A. Yes. I can give you that charge; including the receiving into the plant, the pasteurization and passing through the cold storage, our production expense is one cent per quart.

Q. What does that include?—A. That includes the receiving of the milk into the plant, the cooling, the passing through the holders, heating, holding, cooling again, passing through the filter, down to the bottlers, into the bottles—first of all, the washing of the bottles, the filling of the bottles, the capping and passing into the cold storage. Once they pass into the cold storage, that becomes a sales expense with us.

Q. What would be your comment if we were to say that pasteurization costs were approximately one cent a quart, alone?—A. If they were one cent?

Q. Just pasteurization costs alone, one cent a quart; what would be your comment to that?—A. It is a very difficult thing to determine; you have to take that one piece out of the process and say what it costs. You say your car costs so much a mile to run. I might ask you how much of that does it take to turn the engine over without moving the vehicle itself. It is difficult, without great expense.

Q. I would say that the greater part of that one cent per quart that you mentioned there was taken up in the other services, and not in pasteurization?—A. No, I think the greater part would be in pasteurization itself.

Q. The greater cost would be?—A. Yes, I think so.

Q. Have you got the total quantity of fluid milk that was purchased by your company in 1932?—A. Yes, 55,150,428 pounds.

Q. That is well on to twice the amount of any company whose evidence we have had yet. How do you pay for that milk, Mr. Ruttan? Have you an association price?—A. Yes, we pay for all milk on the basis of $1.45 at Winnipeg for milk containing 3·4.

The CHAIRMAN: Winnipeg—you mean Toronto?

The WITNESS: I am not in Winnipeg. Toronto.

By Mr. Tummon:

Q. You pay $1.45?—A. For 3·4 per cent butterfat; $1.45 per hundred for milk containing 3·4 per cent butterfat, and with a differential of four cents per tenth of a pound of fat, either down or up from 3·4.

Q. Either up or down?—A. Either up or down.

Q. Have you what you call surplus milk in Toronto?—A. Yes, we have.

Q. Can you give us the quantity of that milk that was purchased or was paid for at the association price?—A. Yes. We purchased 44,709,000 pounds at association prices.

Q. And the balance, amounting to approximately 10,000 pounds was paid for— —A. 10,441,428 pounds.

Q. That was paid for at surplus prices?—A. Yes, surplus prices of ·912 average.

By the Chairman:

Q. 91·2 cents?—A. Yes, 91·2 cents.

By Mr. Tummon:

Q. You spoke a moment ago about hold-backs, Mr. Ruttan?—A. Yes.

Q. Will you explain to the committee just what you mean by that?—A. Yes. With our direct shippers we arrange to give them a quota, or rather arrange with them a quota which they may ship every day. We have to arrange for the peak load for our milk, and naturally this quota at certain times would be in excess of our requirements. Therefore we notify them to hold back their milk when the supply is going up too high, and they may hold the entire thing on their farm one or two days a week. Now, they may, if they so desire, ship their milk to us. It would just be paid for at the surplus price. They may retain it on their farm, if they so desire. The same thing is true of their quota, if they desire to ship in excess of their quota, they have the privilege of doing so.

Q. Have you a table there, or did you bring the information which shows the price per quart that that milk cost you?—A. The price per quart?

Q. Yes?—A. Yes, all our milk purchased at the regular price—that is per hundred—

Q. What you disposed of as fluid milk?—A. We paid $1.50½ per hundred.

Q. You have not that worked out in quarts?—A. Yes. The cost of our product per quart is 3·79 cents.

Q. What was the average price per quart sold in 1932?—A. 9·24 cents.

Q. The spread would be what?—A. Our net spread, the actual net spread, was 5·36 cents.

Q. 5·36 cents?—A. Oh, I am looking at the wrong chart.

Q. Yes, that does not figure out.

The CHAIRMAN: That does not correspond.

The WITNESS: I was looking at the cost of our product in the plant; that is right. The value per quart of our product was ·0388. I gave you the wrong figure.

By Mr. Tummon:

Q. ·0388?—A. Yes.

Q. The average price per quart sold was what?—A. ·0924.

Q. All right; we have that right. Now, the spread between the two?—A. ·0536.

The CHAIRMAN: That is right.

Mr. TUMMON: Yes.

By Mr. Tummon:

Q. Now, Mr. Ruttan, have you the figures there that will account for that spread? Will you break it up, that spread?

The CHAIRMAN: If you care to be seated, do so, Mr. Ruttan.

The WITNESS: It is a little difficult for me to see these figures at that distance.

By Mr. Tummon:

Q. All right, just be seated?—A. I can give you the table here that I have worked out. We will see if this will meet your requirement, sir. The sales value of our quart, ·0924; the cost of the product into the plant, ·0379.

Q. How do you get the difference between ·0388 and ·0379?—A. That is handling into the plant.

Q. The cost of your product into the plant is 03·79, you said?—A. Yes, the cost of the product in our plant.

Q. How do you make the difference between that price and the one you gave me a moment ago of 03·88 as the price per quart; it is only a decimal there. —A. Yes. Various adjustments such as inventory and that sort of thing; carry-overs would enter into that.

Q. You say your spread between your cost price and your average selling price per quart is 03·38?—A. Yes.

Q. I would like you to break that up, Mr. Ruttan, if you can, and tell us what enters into that spread, how that spread is made up?—A. That is just the table I was giving you here. The cost of production, production expense, one cent; selling and other expense, four cents; container loss, ·15 cents, that is ·0015; income tax, ·0003; net profit after income tax, ·0027, making a total cost and net profit of ·0924.

Q. Have you a table there giving that?—A. Yes.

Q. Will you file that with the clerk, please?—A. Yes, I will be glad to.

Q. Does Borden's Limited own other distributing companies in Toronto?—A. Yes.

Q. What other companies?—A. Caulfield's.

Q. That is the only other distributing company they own there?—A. The only fluid milk distributing company that they own, yes.

Q. Do they cover the same districts with their wagons that your wagons do?—A. They are competing in the same city, and naturally in certain places they will cross.

Q. Often on the same street, I suppose?—A. Yes.

Q. Have you ever attempted to cut down delivery costs at all?—A. In certain districts where it has been possible, outlying districts, we have saved a little in that respect, but there has only been one district where it could actually be accomplished. As a rule, the housewife wants her milk from a certain distributor, from a certain driver, and they insist on getting it that way; and do what we can, we can't alter it.

Mr. Pickel: Although it increases the price.

By Mr. Tummon:

Q. Have you any collecting stations out through the country?—A. Yes, at Woodstock and Embro. We have two receiving stations.

Q. In regard to the 10,000,000 pounds approximately of surplus milk that you have, what method do you use in arriving at that surplus milk, or what amount of the total fluid milk you receive is surplus milk?—A. I can give you the break-down of that; is that what you mean?

Q. No, what is the method that you use to arrive at the quantity of surplus milk that you have?—A. I don't follow your question. How do we arrive at the quantity of surplus milk that we have?

Q. Yes?—A. You mean, I suppose, the difference of what we actually purchase and what we sell as street sales, that is it?

Q. Yes, perhaps that is it; what I mean by that is this; all milk not required for delivery as fluid milk, as street sales is surplus milk, is it?—A. No, it may be manufacturing milk.

Q. But is it paid for as surplus milk?—A. Not all; we have a different price there, a manufacturing price and a surplus price.

Q. What do you mean by a manufacturing price?—A. Well, in the establishment of our price, we base milk used in ice cream manufacturing, and the standardizing, on a manufacturing price which is higher than the surplus butterfat price.

Q. Then you have not three different prices for milk, have you?—A. Well, we have, but this surplus price we showed you here combines both.

Q. That combines both the manufacturing price and the surplus?—A. And the surplus price, 91·2.

Q. And your manufacturing price is higher than what is really your surplus?—A. Yes.

Q. Then the surplus price you gave us here is really higher than what your actual surplus price was?—A. Yes, it would average higher than the average surplus alone.

Q. Can you give us the price of the actual surplus?—A. Well, that varies, sir, at the time of the year at which it was received.

Q. Give us the average for the year.—A. I will give you an idea.

By the Chairman:

Q. What is that based on, butterfat prices?—A. Yes. It depends upon the season of the year at which the milk was received. In July there was a higher proportion than October, and the price was lower in July than October. The price varied, but you have got the average of all those things in this price of 91 and 2 that I gave you.

By Mr. Tummon:

Q. If I were shipping to your firm one can a day and that can was surplus, it might be paid at your lowest price. My can of milk may not go into manufacturing— —A. Yes, if it was actually shipped in in excess of your quota it would be surplus it would go into butter.

Q. You have not got those actual prices, or the price of the actual surplus? —A. No.

Q. Have you got the manufacturing price of the surplus?—A. No. I have not got them separated.

Q. What use do you make of the surplus, Mr. Ruttan?—A. Churned for butter.

Q. Only butter?—A. Yes, that would be the disposal of our surplus.

By the Chairman:

Q. No sweet cream?—A. No; we buy our sweet cream independently.

By Mr. Tummon:

Q. You do not take any of the surplus and put it into sweet cream?—A. No.

By the Chairman:

Q. Or manufactured milk?—A. We have an over-abundance of sweet cream; we manufacture a great deal of it into butter.

Q. Do you standardize sweet cream with manufactured milk?—A. Yes, we cut that sweet cream and standardize it with milk.

By Mr. Tummon:

Q. You buy a considerable amount of sweet cream?—A. Yes, we buy from the Dry Milk Company, our own subsidiary.

Q. You do not buy direct from the producer?—A. Very little; there is a little, but very little compared with the total.

Q. Have you the pounds of sweet cream that you purchased during 1932, pounds and weight and butterfat?—A. Cream receipts direct from the shippers, 23,498 pounds, from Woodstock shippers, 34,231 pounds; from Embro, 97,774 pounds; from affiliated companies, 1,743,047 pounds, making a total of 1,898,550 pounds of butterfat.

By the Chairman:

Q. Have you got the total cost price of that?

By Mr. Tummon:

Q. Pounds of butterfat. How many pounds of cream would that be; how many pounds in weight would that amount to?—A. How many pounds of cream?

Q. No, how many pounds in weight?—A. That was so many pounds butterfat.

Q. Yes, I understand that, but I wanted to get pounds of butterfat as well.—A. Well, some of that would be shipped as 40 per cent cream, some as 32 per cent cream.

Q. In a can of 40 per cent cream, you have 80 or 90 pounds, and 40 per cent cream is worth more than 20 per cent cream.—A. Yes, undoubtedly; but you have asked me the total weight of this.

Q. Yes, I wanted the weight.—A. If I could have told you that that was all 40 per cent cream, it would be easy to tell you the weight, but this is giving you the different averages, and it is difficult for me to say. In fact, I have not got the weights.

Q. The cream is all weighed in when it comes in, and tested afterwards.—A. Well, it is shipped either as I say from our affiliated companies as 40 or 32 per cent cream—

Q. Yes, but that is not the weight.—A. I do not think we have got the figure. I shall have to supply it for you.

Q. Perhaps you can send the total number of pounds to the Clerk. You have given us the pounds of butterfat, I should like you to give the total weight of that cream.—A. The total weight in the various percentages of cream as received?

Q. Well, if you want to do it that way, yes.—A. If that is your question, sir.

Q. All I was asking for was this: you say you had so many pounds, 1,898,550 pounds of butterfat, which would simply work out to so many pounds of cream you received in order to obtain that butterfat.—A. I shall be glad to have that calculated and let you know; but it is a question of being exact and giving you the weights as they come.

Q. You must, on your books, have it all totalled up.

By Mr. Bouchard:

Q. You know 35 per cent cream weighs so much, so you have that many pounds of 35 or 40 and so on?—A. I appreciate that, sir. Unfortunately, I have not got that figure here. I would have to look up our books to see how much did come in as 32 and as 40.

By Mr. Tummon:

Q. Will you tell us how many grades of cream you sell in Toronto?—A. We sell 8, 16, 20, 24 and 32 per cent.

Q. That is five grades?—A. Five different grades sir.

Q. You sell that per pint, I presume.—A. We sell it from one-half pints up to quarts.

Q. Can you give us the sale price by pints for 1932?—A. In 1932, the pint selling price of each kind?

Q. Yes. If you have before you the quart price, so much the better.—A. Eight per cent in quarts, 26⅔ cents; half-pints, 6⅔ cents.

Q. You have given us half-pints, but pints and quarts would be sufficient.—A. 16 per cent quarts, 53 cents; 24 per cent, quarts 80 cents; 32 per cent, $1.07. These are retail prices, you understand.

Q. That is the retail?—A. Would you like the wholesale price? Twenty per cent cream is a wholesale product only.

Q. I beg your pardon?—A. Twenty per cent is a wholesale product only.

By Mr. Pickel:

Q. What does it sell for?

By Mr. Tummon:

Q. What does it sell for?—A. I have not got this listed here, unfortunately, but we did sell the equivalent of 313,816 half-pints of 20 per cent. I will give you a complete list of those, if you like.

Q. Have you got a list there of the total?—A. Yes.

Q. Will you file it with the Clerk?

The CHAIRMAN: For inclusion in the minutes?

Mr. TUMMON: Yes.

By Mr. Tummon:

Q. Your sweet cream is all pasteurized, Mr. Ruttan?—A. Yes.

Q. In building up the spread between the cost price of your fluid milk and the average selling price per quart of your fluid milk, I presume you have only charged to that fluid milk the pasteurization and factory cost and others that related to that milk?—A. Yes, sir.

Q. You have not charged any of the sweet cream pasteurization and that work to the milk?—A. No; our system permits us to separate those. We had a complete record of those.

Q. I want to say this: in connection with your company the figures that have been given before have all been given very clearly, very intelligently. We have had some difficulties with other companies in that regard. I think that is all.

By Mr. Mullins:

Q. In making up your spread I should like to know if you have charged to equipment the change that I understand was made in your delivery wagons some time ago. I understand there is a part of Toronto where they asked you to put different gear on your wagons.—A. Yes, that is true.

Q. Did that charge come out of the farmers? Was it taken out of the farmers or was it taken out of your surplus?—A. Taken out of our company sir.

Q. Out of what?—A. Taken out of our operating costs, out of our company We had to stand it.

Q. Out of your operation costs?—A. Out of our operation costs; we had to stand the loss.

Q. I understand the village of Forest Hill has passed an ordinance compelling you to put pneumatic tires on your delivery wagons so that they could sleep in the morning, as you came around too early. I think that happened, did it not?—A. Well, it is true, sir, there is an ordinance in effect along that line.

Q. What I want to get at is this; would that come out of the farmers?—A. No, it has not affected the farmer, nor has it affected the consumer. Our company is at the present time experimenting—

Q. They have a perfect right to pay for it, because it is to their benefit, not to the benefit of the farmer, who is the producer.

By Mr. Tummon:

Q. Have you charged them any more for their milk?—A. We have not tried to collect any more. We are just experimenting to see what the cost of this type is.

By Mr. Pickel:

Q. In the figures you have given us in regard to your farm, do you figure overhead?—A. Everything is figured.

Q. Interest on investment?—A. Everything is figured in, no interest on investment, no.

Q. No interest on the $100,000?—A. No.

By the Chairman:

Q. Mr. Ruttan, a large item in the spread seems to be distribution.—A. Yes.

Q. Four cents.—A. Yes.

Q. Your drivers are bonded, I suppose?—A. Yes.

Q. And they get a commission on sales?—A. Yes. They have a base wage of $20 a week, and 3 per cent commission.

Q. Do any of your drivers who travel for the City Dairy traverse the same route?—A. In competition with each other?

Q. Yes.—A. No, not if they know it. They criss-cross, you understand.

Q. It was suggested to me that perhaps one driver traverses the same route as another.—A. No. You mean one following the other?

Q. Yes.—A. No. One route may cross another at certain points, as is necessary in dividing a city. You do not mean a special delivery, do you?

Q. No.

Mr. W. F. Thorne recalled.

By Mr. Tummon:

Q. What companies does the Borden Company Limited own in Hamilton?—A. The present Hamilton Pure Milk Dairies Limited.

Q. Just one company?—A. Just one company.

Q. In Niagara Falls?—A. Borden's Niagara Dairy Limited.

Q. Have you any other companies in Western Ontario?—A. Down in Walkerville and Windsor.

Q. They are distributing companies too?—A. Yes, milk and ice cream.

Q. Then you have factories down there in western Ontario?—A. Under the name of the Borden Company Limited.

Q. They are in relation to the parent company in New York the same as the City Dairy in Toronto?—A. Exactly.

Mr. Ruttan, recalled.

By Mr. Bertrand:

Q. Mr. Chairman, I understand that the City Dairy has a subsidiary in Toronto called the Dry Milk Company?—A. Yes, sir.

Q. The milk bought from the producers by that subsidiary is skimmed; the cream is sold to the City Dairies for sweet cream?—A. Yes.

Q. And the skimmed milk is turned into powdered milk?—A. Yes.

Q. Would you be able to say what price you are paying to the producers for that milk?—A. To-day we are paying 90 cents a hundred.

Q. Ninety cents a hundred laid down in Toronto?—A. Oh, no; at the company's factories.

By Mr. Bouchard:

Q. Irrespective of the fat content?—A. No. That is for 3·5 milk.

By Mr. Bertrand:

Q. What do you mean? You mean that your depots are gathering this?—A. That is, dry milk companies are not located in Toronto, but in the country.

Q. And you ship the cream from the country?—A. From there to Toronto.

Q. From these powder milk companies to the City Dairy?—A. Correct.

Q. And the price is 90 cents f.o.b. factory?—A. Exactly.

Q. Is this considered as your manufacturing price or surplus price?—A. Yes. We consider it manufacturing price.

Q. Now there was one point I wanted to clear up. If I am not mistaken you mentioned a moment ago that you paid to the producers your average price in 1932, ·0388 per quart?—A. Yes, sir. That is the break-down—that includes the cost and premium, buying that milk on a 3·4 basis in Toronto.

Q. Yes, I understand; this is the price paid the farmer for his product, paid to producers less, of course, freight. They would receive this amount, ·0388 less freight charges?—A. Yes, that is true.

Q. And a little later you said the milk in your plant costs ·0379?—A. Correct.

Q. How can you pay the producers ·0388 and this milk a little later on once it is taken from the station into your plant would cost you ·0379?—A. It is inventory adjustment as I tried to explain—very, very slight—the carry-over.

Q. It would cost you ·0379 in the plant; you are not paying ·0388 to the producer?—A. That is the price we actually paid the producer.

Q. It cannot be, Mr. Chairman. There is the transportation from the station to the plant and it costs him lower in the plant than they pay to the farmer?—A. It is the result of a whole year's business, including the inventory taken at the beginning. It is taken from the actual records.

Q. It is taken both ways.

The CHAIRMAN: There was a carry-over, as I understand it, Mr. Bertrand, from last year that enters into that price.

By Mr. Bertrand:

Q. Yes, I understand that; but this means ·11 per quart on an operation of millions of milk, and it just goes to show that the farmers in the vicinity of Toronto are supplying this factory and are really getting ·0388 per quart of milk?—A. Exactly.

Q. And this is going to be broadcasted that it cost that company ·0379?—A. That is all right. That is what they got.

By Mr. Spotton:

Q. I would just like to ask Mr. Ruttan a question. When did you take over Caulfield's?—A. Well, Caulfield's was taken over by the Borden company before the City Dairy Company was taken over.

Q. When?—A. Before the City Dairy Company was taken over.

Q. The City Dairy had taken over Caulfield's?—A. No, sir. The City Dairy did not take over Caulfield's. I think the Caulfield company had been acquired by the Borden's company prior to the acquisition of the City Dairy Company.

Q. I see. The Borden people had taken over the Caulfield's dairy before they took over the City Dairy?—A. Yes.

Q. Do you know what date that was?—A. I am sorry I do not.

Q. It is not long. Perhaps Mr. Thorne could tell us.

Mr. THORNE: 1929. I have not got the exact month.

Q. You took over Caulfield's in 1929 and the City Dairy in 1930?—A. Yes.

Q. That would affect your capital structure in 1929, when you took over Caulfield's.

Mr. THORNE: Whose capital structure?

Mr. SPOTTON: When you took them over you would give them stock.

Mr. THORNE: You mean Borden's Limited?

Mr. SPOTTON: Yes. When you took over Caulfield's.

Mr. THORNE: The present Borden's Limited would have its stock tendered.

By Mr. Spotton:

Q. Is there a representative of Caulfield's here?—A. No, sir.

Q. Were they not asked to come?—A. They were not asked.

Mr. SPOTTON: Mr. Chairman, I would suggest that you have the Caulfield people here. I do not want to have Mr. Thorne think that we are out to persecute his company at all, but I did understand that both Caulfield's and the City Dairy would be brought here, and I would like if Mr. Thorne, who has been very kind and frank and has given us everything we have asked for, would give us the same information from the City Dairy from the time of its inception. I would like to ask Mr. Thorne to give us the total of the reserves that every Borden's institution in Canada is holding at the moment.

Mr. THORNE: As of December 31, 1932, yes?

Mr. SPOTTON: Yes, the reserves of 1932 so we can get the total amount of money on hand December 31, 1932, on call by the parent company. We did not get it from the Montreal company when they were here. I do not know whether they were here or not, but I would like to have the total reserves of your different companies.

Mr. THORNE: If you speak of cash on call you do not mean reserves.

Mr. SPOTTON: I am referring to reserves.

Mr. THORNE: If you want cash alone, that is entirely different from reserves.

Mr. SPOTTON: Your cash reserves, surplus and depreciation.

By Mr. Spotton:

Q. Mr. Ruttan, we are very inquisitive here and we have been asking gentlemen what salaries they are getting?—A. Yes, sir, I have mine worked out for you. With the City Dairy Company, $8,504.88.

Q. That is your salary?—A. My salary from the City Dairy Company.

Q. From the City Dairy Company Have you another salary?—A. I think I should be frank. With the Dry Milk Company—

Q. You would spoil the reputation that has been built up if you were other than frank?—A. $6,075.12.

Q. That is from one company?—A. The Dry Milk Company.

Q. And $8,000?—A. $8,504.88.

Q. That was the point I made note of. I think when you were buying the sweet cream from the Dry Milk Company you went and looked into the glass and you had a chat with yourself as to what the City Dairy would pay for the cream?—A. It is our subsidiary.

Q. And you managed both?—A. Certainly, I manage both.

Q. How long have you been with the City Dairy?—A. With the City Dairy proper, since September of 1929. Prior to that, with a subsidiary, the Dry Milk Company, since about 1922.

Q. You do not know when their farm at New Lowell was started?—A. No, sir; but certainly prior to that.

Q. My recollection is that many years ago when I visited their plant, which I did occasionally, that it was a commercial transaction. I did not know that you were experimenting with contented cows to get a better class of milk or anything like that. I understood from the men running it that it was a commercial transaction; that they were going to show the farmers how they could make a profit producing milk. It was going to be a kind of model farm. That is before your time?—A. I have never heard it described as anything else but a farm for the production of certified milk. I would be glad to check back on that.

Q. My recollection is that it was to be a commercial thing. I do not know that there is anything else, Mr. Chairman, excepting that I would suggest to you before we leave off with this enquiry that I believe the public whom we represent in the province of Ontario are asking us and expecting us to lay open the development of the City Dairy and Caulfield's from the time they sold their first can of milk in the first organization; I would suggest to you and to your sub committee that you permit us to go into this matter fully. That is what people are most interested in now. It is the old old story of how they kid the troops with the surplus milk. That is well understood. They take no responsibility like any other merchant in buying outright and taking a chance on selling his article. They are protected from all angles. Now, what we want to do is to get at the building up—the mushroom growth of Caulfield's Limited in Toronto. This big company came out and grabbed off a healthy company in 1929. They came over from the United States and they conquered the field. They looked across the fences and saw a fertile field of backward Canadians. They grabbed off Caulfield's and in 1930 they grabbed off the City Dairy. President Roosevelt has said that the time is coming when they must stop speculating with other people's money. Canadians are getting very little return from any stock they hold in the parent company. I would like you to give us an opportunity, Mr. Chairman, to investigate these companies from A to Z and to study their financial workout. Mr. Thorne has been very frank to-day to show us that $1,900,000 can jump to over six and one-half million dollars in this capital structure from 1921 to 1930. We are told about these things in Toronto, and we get letters, but we would like to know more about these two companies.

By Mr. Taylor:

Q. Mr. Ruttan, with regard to the Dry Milk Company, I understand you to say that you separate the cream and sell it to the City Dairy?—A. Yes.

Q. What price do you receive for the cream at the City Dairy?—A. What price do we receive from the City Dairy for—

Q. For the cream. What price does the City Dairy Company pay the Dry Milk Company for the cream?—A. I can give you an average price, 27·57 cents per pound butterfat was the average for the year 1932.

Q. You sell on a butterfat basis to the City Dairy?—A. Yes.

Q. That is practically a butter price rather than sweet cream price?—A. No. The butter price would have been considerably below that at that time.

Q. With regard to powdered milk or skimmed milk powder, how many pounds of milk does it take to make a pound of powder?—A. Well, we will get about 8½ pounds of powder, we will say, to 100 pounds. That is skimmed powder, you understand.

Q. Yes. What is the powder worth per pound approximately?—A. You mean what is our average selling price?

Q. Yes.—A. ·0774 was the average price over the year.

By the Chairman:

Q. Per pound?—A. Per pound, yes, sir.

By Mr. Taylor:

Q. What is that again, please?—A. ·0774.

Q. $7\frac{3}{4}$ cents per pound for the powder?—A. Yes.

Q. And I would just like to hear again—I wasn't just clear—with regard to the number of pounds of powder you get from a hundred pounds of milk?—A. I say roughly $8\frac{1}{2}$— I am going to give you the exact figure.

By Mr. Boyes:

Q. Mr. Chairman, there is just one question I would like to ask. I believe the witness is representing the Toronto City Dairy?—A. Yes, sir.

Q. What other companies are there belonging to the Borden's company in the city of Toronto?—A. The Caulfields company we have just mentioned.

Q. Caulfields?—A. On fluid milk, yes.

Q. The rumour has been circulated recently that the Borden's company have bought out the Silverwoods company, is that right?—A. I know nothing about that at all.

Q. You have no knowledge of it?—A. No.

The CHAIRMAN: Gentlemen, it is 6 o'clock.

Mr. THORNE: Might I correct Mr. Spotton's statements in which he referred to this fund of $6,000,000 as apparently growing from a capitalization of $1,900,000 of the City Dairy Company Limited. That item refers to revenue, or funds from other companies beside the City Dairy company.

Mr. SPOTTON: What is that?

Mr. THORNE: When you spoke of the $6,000,000 odd you said that it came from this capital of $1,900,000. The figure you gave includes revenues from other companies besides the City Dairy.

Mr. SPOTTON: Those are the figures Mr. Bowman gave me as he was going out, of the financial structure as he gathered the data; so, at another sitting you and Mr. Bowman can have that out.

The committee adjourned at 6 p.m. to meet Thursday, April 27, at 10.30 a.m.

CITY DAIRY COMPANY, LIMITED

1932

—	Fluid Milk Quarts	Percentage of Sales Value
Sales	·0924	100·00
Cost of product	·0379	41·02
Production expense	·0100	10·82
Selling and delivery expense	·0400	43·29
Container loss	·0015	1·62
Income tax	·0003	·32
Net profit after income tax	·002	2·93
Total cost and net profit	·0924	100·00

CITY DAIRY COMPANY, LIMITED

1932

—	Cream ½ Pints	Percentage of Sales Value
Sales	·0955	100·00
Cost of product	·0556	58·22
Production expense	·0044	4·61
Selling and delivery expense	·0230	24·08
Container loss	·0008	·84
Income tax	·0014	1·47
Net profit after income tax	·0103	10·78
Total cost and net profit	·0955	100·00

CITY DAIRY COMPANY, LIMITED

1932 SELLING PRICE OF MILK AND CREAM

January 1st, and changes during the year

	Jan. 1st		Feb. 1st		Sept. 16th		Oct. 15th		Dec. 17th	
	Retail	Whole-sale	Retail	Whole-sale	Retail	Whole-sale	Retail	Whole-sale	Retail	Whole-sale
Past. Fluid (including Homo.)—										
Quarts	0·11	7½	10	6¾						
Pints	6⅔	5	6	4¾						
½ Pints	5	3	4	3						
Bulk quarts		7½		6¾						
Guernsey and Jersey—										
Quarts	0·17				0·11½					
Pints	9				7					
½ Pints.	5	3¾								
Bulk		8½		7¾						
Certified										
Quarts	0·20									
Pints	13⅓		12							
½ Pints	6⅔									
8% Cream										
Quarts	26⅔	18								
½ Pints	6⅔	5½								
Bulk quarts		18								
16% Cream—										
Quarts	53	28							40	
Pints	26⅔	20							25	
½ Pints	13⅓	10								
¼ Pints	6⅔	5½								
Bulk quarts		28								
24% Cream										
Quarts	80	39		37					45	
Pints	40	25		23					30	
½ Pints	20	17		13						
¼ Pints	10	8½		07						
Bulk quarts		39								
32% Cream										
Quarts	1·07	50		45				40	50	
Pints	53	35		30					35	
½ Pints	26⅔	18								
¼ Pints	13⅓	9								
Bulk quarts		43¾								

CITY DAIRY COMPANY, LIMITED

CREAM SALES, 1932

		$ cts.
8% ½ pints	627,868	38,207 01
16%	2,043,693	194,528 87
20%	313,816	22,090 62
24%	1,075,561	107,173 78
32%	770,864	99,742 63
	4,831,802	461,742 91

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 27, 1933

No. 23

Reference,—Milk and Milk Products

WITNESSES:

J. H. Duplan, General Manager, Silverwoods Dairies, Ltd.

J. W. Hall, Manager, Silverwoods-Burke Dairy Ltd., Hamilton.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Thursday, April 27, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Gobeil, Fafard, Hall, Jones, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Senn, Simpson, Spotton, Stirling, Swanson, Taylor, Thompson, Tummon, Wilson.

The Chairman directed the attention of the meeting to the question of the further procedure of the committee. Discussion followed.

Motion by Mr. Spotton that Caulfields and City Dairies Limited of Toronto be further investigated. Motion carried.

Mr. Tummon for the subcommittee reported to the meeting that the Ontario Milk Producers Association would be invited to appear.

Report adopted.

J. H. Duplan, general manager, Silverwoods Dairies Limited, and J. W. Hall, manager, Silverwoods-Burke Dairy Limited, Hamilton, were called, sworn, examined, and retired.

Witness Duplan to file further evidence with the Clerk of the Committee.

The meeting having adjourned at 12.30 p.m., re-convened at 3.30 and adjourned at 5.15, to meet at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 27, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: We have with us this morning Mr. Duplan of Silverwood's Dairy Limited, and Mr. J. W. Ball of Silverwood-Burke Dairy Limited of Hamilton. We shall now call Mr. Duplan.

J. H. DUPLAN, called and sworn.

By the Chairman:

Q. What is your position, Mr. Duplan?—A. General Manager of Silverwood's Dairy Limited, with head offices in London, Ontario.

Q. You have a statement to give to the committee?—A. Yes, I have.

Q. Will you read it?—A. Yes. Gentlemen, we have the honour to submit for your information the following particulars with respect to our organization:—

Silverwood's Dairies Limited, are—

Distributors of—safe milk, Jersey milk, cream and buttermilk.

Manufacturers of—Creamery Butter, ice cream, evaporated milk, condensed and powdered milk, condensed and powdered buttermilk.

Plants located at—London, Toronto, Hamilton, Windsor, Kitchener, St. Catharines, Peterborough, Brantford, Sarnia, Chatham, Stratford, Guelph, Woodstock, Elmira, Lucknow, North Bay, Sudbury, Forest, Cayuga, Cargill and Fergus.

Capital structure—Silverwood's Dairies, Limited, hereinafter called "The Holding Company" was incorporated in June, 1928, under the Ontario Companies Act as a holding and and operating company. Prior to the incorporation of Silverwood's Dairies, Limited, there were numerous companies operating in the cities and towns of central and western Ontario under the "Silverwood" name and controlled by Mr. A. E. Silverwood. The Holding Company, following its incorporation, entered into an agreement with Mr. A. E. Silverwood, whereby he agreed to transfer the controlling interest in certain of these companies and give an option on not less than the controlling interest in all other companies operating under the Silverwood name. Silverwood's Dairies, Limited, has functioned as a Holding Company and has given supervision to the operations of the various companies under its control. Schedule "A" attached hereto, shows the dates of incorporation of all subsidiary companies, and the dates on which they were acquired by the Holding Company.

An exchange of shares was effected with the shareholders of the Subsidiary Companies, whereby they received shares in the Holding Company in exchange for shares in the Subsidiary Companies. The Holding Company has thus acquired practically all of the outstanding shares in the subsidiary companies, there remaining at this date in the hands of minority shareholders, stock of the value of $2,360.

As at April 1, 1933, the total outstanding stock of Silverwood's Dairies, Limited, was as follows:—

Preference, $3,128,000.
Class "A" no par value, 147,725 shares.
Common, no par value, 25,000 shares.

In addition to the above capital stock, the Holding Company has outstanding 6 per cent collateral trust debentures series "A", in the amount of $241,750. Bonds of the subsidiary companies outstanding in the hands of the public as of April 1, 1933, amount to $219,300, as shown on schedule " B " attached hereto.

Since the incorporation of Silverwood's Dairies, Limited, the following dividends have been paid:—

Period	Preferred rate Per annum	Class "A" and Common rate Per share Per annum
July 1, 1928, to April 1, 1931.	7 %	$1 00
April 1, 1931, to April 1, 1932.	7 %	37½
April 1, 1932, to April 1, 1933.	6¼%	Nil

Might I just digress for a moment, Mr. Chairman, by giving the committee the information here, just the value I have in this particular instance. In connection with our organization, we have as of April 1, 5,020 shareholders, of which 2,448 are producers of dairy products, and in the main—

By Mr. Bowman:

Q. 4,000 and what?—A. 2,488.

By the Chairman:

Q. Give the first figure, that is what he means.—A. 5,020, of which 2,448 are producers of dairy products, and a number of these—a large percentage, of course, are shippers to our organization. In addition to that, 858 of the employees of the organization are shareholders, making a total of 3,306 shareholders, employees and producers; so that sixty-five per cent of the shareholders in the organization are producers and employees.

By Mr. Bowman:

Q. What company are you talking about now?—A. I am talking about Silverwood's Dairy Limited.

By the Chairman:

Q. The holding company?—A. The holding company.

By Mr. Bowman:

Q. The reason I asked the question, your statement shows total outstanding stock of 147,725 of class A, and 25,000 of no par value.—A. I am reading—I am giving this letter as of April 1, 1933, whereas your audited statement is as of April 2, 1932.

By the Chairman:

Q. It has been reorganized in the meantime, then?—A. No, sir. Our fiscal year ends as of March 31 of each year, and I am presenting to you the last audited statement by the Clarkson, Gordon & Dilworth people; it is obvious that the statement for 1932, or ending March 31, 1933, is not yet ready. It will probably be another thirty days before we can present the statement of last year. The figures I have given here are according to our stock records, the amount of stock outstanding as of April 1, 1933.

By Mr. Bowman:

Q. The only point about it, Mr. Duplan,—I have not before me the statement you are reading from—you talked about 5,020 shares being issued?—A. 5,020 shareholders.

Q. What is that?—A. 5,020 shareholders.

Q. Oh, shareholders?—A. Shareholders, yes.

Q. Holding the total amount of stock?—A. Holding the total amount of stock as shown on the statement.

Q. As shown as having been issued?—A. Yes.

> Since the incorporation of Silverwood's Dairies, Limited, the following dividends have been paid: From July 1, 1928, to April 1, 1931, 7 per cent on the preferred stock and $1 per share on the Class A and common; from April 1, 1931, to April 1, 1932, 7 per cent on the preferred stock and 37½ cents on the Class A and common, per share; and from April 1, 1932, to April 1, 1933, 6¼ per cent on the preferred stock and no dividend on the Class A and common.

By the Chairman:

Q. By the way, is that preferred stock cumulative?—A. Yes.

Q. And seven per cent stock?—A. Yes, and cumulative.

> The personnel of the directorate and officers of the company is as follows:—
>
> Mr. A. E. Silverwood, London, President;
> Mr. W. E. Robinson, London, Vice-President;
> Mr. R. G. Ivey, London, Director;
> Mr. Geo. H. Belton, London, Director;
> Mr. E. W. Nesbitt, Woodstock, Director;
> Mr. E. K. Reiner, Wellesley, Director;
> Mr. W. H. Carruthers, Toronto, Director;
> Mr. J. H. Duplan, London, General Manager;
> Mr. J. H. Gillies, London, Secretary-Treasurer.

That concludes my brief, Mr. Chairman, with the exception of the matter which you requested, the salaries of the officers, and I will be very glad to hand that in a sealed envelope to your Chairman.

Q. Did I understand you to say, Mr. Duplan, that you followed the same method in taking over each one of these subsidiaries?—A. Yes.

Q. Precisely the same method?—A. Yes. If I might add briefly, to clarify the situation, in 1903, Mr. Silverwood opened in the city of London, incorporated what was known as Silverwood's Limited, the first plant in the organization; and then following that, but between 1903, as the brief shows, these various companies were either purchased or acquired in some form or other, under agreement, and were taken into the holding company, these twenty-five companies, as of June, 1928, or immediately following the incorporation of the holding company. It is true that our statement does show a profit of $300,000, the last audited statement.

By Mr. Tummon:

Q. Is that for the holding company?—A. That is the holding company. That audited statement of $300,000 is based, as you will notice, on a sale volume of six and a half millions, or a net profit of five per cent; or if you wish to apply it to 10 cent milk, it is a half a cent a quart. The point that I wish to make clear is that one half of these dividends went back to the producers of the products, who are shippers to our organization, or in the main who are shippers to our organization.

By Mr. Bowman:

Q. Would you explain that last statement a little more clearly?—A. According to the consolidated trading and profit and loss account of our statement, the net profit is $300,039.78; the sales, precluding any deduction, is $6,640,721.95. In other words, the net profit is slightly less than five per cent on the volume; and applying that, if you will, to 10 cent milk, as a matter of illustration, would be half a cent a quart net profit; and in the statement I made as regards shareholders, that 50 per cent of our shareholders are producers of dairy products, and in the main are shippers to our plants, I submit that proportion of the dividend was returned to the producers.

Q. I don't think your figuring is at all correct; at least it will be a very great surprise to me if it is. You talk about having 5,020 shareholders?—A. Yes.

Q. The total number of shareholders?—A. Yes.

Q. Then you say of these, 2,448 are producers?—A. Yes.

Q. 858 are employee shareholders?—A. Right.

Q. What portion of the stock is held by the 2,448 producers?—A. I can't answer your question.

Q. Oh, well, that is the significant question of the whole thing; 2,448 producers can hold a very, very small portion of the stock, which I imagine is the case; while the vast majority of the stock is held by Mr. Silverwood and his associates. Consequently the proportion of the stock held by the producers and shareholders as to the proprietors of the company, might be only as one is to one hundred.—A. It is not that, but I am sorry I cannot answer your question.

By the Chairman:

Q. You have not got the stock sheets here?—A. No, I have not. I am sorry.

By Mr. Bowman:

Q. Then, Mr. Duplan, if you make a statement to the effect that half of the money goes back to the producers, you should have something to support it.—A. I didn't say half.

Q. Half of the profit?—A. I said a proportion of the profit.

Q. Yes, you said half of it.—A. I am sorry, I said approximately one-half of our shareholders are producers.

Q. No, you said one-half of the profit. I am not desirous of putting in your mouth words that you did not say. I trust that you will appreciate that. But you did say that figuring on the basis of 10 cent milk, that you made about half of one per cent, five per cent on your total.—A. Right.

Q. And that half of that profit went to the producers; am I correct in saying that?—A. May I be permitted to repeat my statement, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS: My statement, gentlemen, is this, that as of April 1, 1932, there were 5,020 shareholders in our organization, of which 2,448 were producers, and in the main were shippers of dairy products to our various plants; that is approximately 50 per cent of the total number of shareholders; and the proportion of our profit, therefore, fond its way back to our producers.

By Mr. Bowman:

Q. Oh, yes; but that is an entirely different statement than you made before. What you said before was that the producers got one-half of the profit.—A. I am sorry, sir; I was not aware that I said one-half went to the producers, because I was well aware that that was not true.

Q. I know that you have no intention of misleading the committee.—A. That is right.

Q. But that is the statement you made; and that would hardly be supported by what I would surmise would be the ratio of shares held by the producers and the proprietors.—A. Quite true. I appreciate your point.

Q. Have you no record, Mr. Duplan—I have your name correctly, have I?—A. Yes.

Q. Have you no record of the actual number of shares which are held by these 2,448 producers?—A. I am sorry, I don't believe I have.

Q. You see, the fact that you say they held a certain number of stock does not really show us much more than that—

The CHAIRMAN: I think, Mr. Duplan, that the answer to it is that it was an oversight, because that letter to him reads distinctly, among other things, the number and holdings of the stockholders. He has given the numbers but not the holdings.

The WITNESS: No, the total, but not segregated, Mr. Chairman. The only information that I have that might be of value is that under what is known as our milk and sweet cream producers' stock plan, there were 5,088 shares subscribed for. The amount paid up was 68,186.

By Mr. Bowman:

Q. Five thousand and what?—A. 5,088 subscribed for.

Q. That is by the producers?—A. By 465 producers.

Q. By 465 producers?—A. Yes. That would be about 11 shares, would it, per producer; and those shares were of the sale value of $19.50, so that would be about $210 per producer, would it not? Am I figuring correctly?

Q. Well, the only thing is that your proportion is very small, of 2,448.—A. I can obtain that for you, before the day is over, if you desire it.

Q. Yes, if you would not mind doing that?—A. I can get it.

Q. Because if we take the figures that you have presented to us, they really do not present to the committee the proportion of the amount of stock held by the shareholders, distinguishing the class as stock to the producer and employee shareholder.—A. Right.

Q. Possibly I may have interrupted you, or did you complete your statement, Mr. Duplan?—A. I completed it.

Mr. BOWMAN: Mr. Chairman, if I might direct a remark or two to the committee in respect to the rather difficult task which faces me in examining the witness, to bring a fairly clear idea of the affairs of the company to them—

The CHAIRMAN: Mr. Bowman, I am just going to make a suggestion, if you care to make a little study of it, perhaps we can call the other witness, and go into the details of the Burke Dairy.

Mr. BOWMAN: I am afraid it would not assist me very much.

The CHAIRMAN: Very well.

Mr. BOWMAN: Here is the situation; I think perhaps this is the most complicated set-up that we have had up to the present time.

The CHAIRMAN: Yes, it is; I know something of it, because I lived right in the territory, and saw the operations of it while it was being done.

Mr. BOWMAN: Yes. Previously we have been examining the set-up or financial structure of an individual company, more or less; the odd subsidiary might have come in; but here we have as Silverwood's Dairies, Limited, an incorporation which consists of twenty-six companies, as I have noted them or counted them on schedule A, twenty-six different companies doing business in different parts of Ontario, and taken over at different times. Consequently it would present an absolutely impossible task to trace back, even for five minutes or ten minutes, the history of these different companies. So I am going

to suggest this to the committee, if it meets with their approval,—apparently the London company was the original company—I might trace the history of that, more or less, for the benefit of the committee, through the witness, if that is their desire; and then we will see what time we have to trace the matter any further. But it must be in very, very general terms, so far as I am concerned.

The CHAIRMAN: There is another phase of that, Mr. Bowman; I don't know whether you have considered the subsidiary that is here to-day or not. or rather the representative of the subsidiary, the Hamilton Burke Dairy; perhaps after presenting the London end of it for a way, we could get down to that particular feature. We are going to investigate their methods of doing business.

Mr. BOWMAN: I trust that the committee will bear with me.

The CHAIRMAN: Certainly; I think you ought to have all the time that you require.

Mr. BOWMAN: It will take quite a few questions, because it is a very complicated set-up.

By Mr. Bowman:

Q. Bearing in mind the remarks that I have just made to the Chairman, Mr. Duplan, would you be so kind as to take one of these companies, the parent company which I take to be Silverwood's Limited of London, which I see by schedule "A" was reorganized on February 9, 1921, and trace more or less for us the history of the different changes in organization and financial set-up of the company?—A. Inasmuch as I was not a member of the organization, and not as clear on the details as I am on later companies; if you would prefer to take Hamilton—there is nothing I wish not to disclose so far as London is concerned, but I was not with the organization in its early days.

Q. Well, have you the record?—A. I have not the clear record; I have a clear record here of Hamilton.

By the Chairman:

Q. Have you the set-up of Burke's Dairy, prior to its entry into that?—A. Yes.

By Mr. Bowman:

Q. How far back does that go?—A. That goes back to the year in which we acquired it; that is the 26th of March, 1928.

By the Chairman:

Q. But not beyond that?—A. Before that?

Q. Yes?—A. It was only our property at that time.

By Mr. Bowman:

Q. We want to get the history prior to it becoming your property; we want to know more or less from the creation of these companies.—A. This was an individual venture, as I understand it, by Mr. T. A. Burke prior to 1928; and by Burke Brothers—his brother was associated with him—was it not a closed corporation?

By the Chairman:

Q. We are not certain of that; that is what we want to know, among other things.—A. Well, the first we knew about the Hamilton company was on the 26th of March, 1928, the date on which we purchased it, and the first access we had to any of its books.

By Mr. Bowman:

Q. Well, I could go into the matter as far as is available, Mr. Chairman.

The CHAIRMAN: That is the best we can do at the moment.

Mr. BOWMAN: We can then decide what to do.

The CHAIRMAN: All right.

By Mr. Bowman:

Q. Will you give us the total with respect to Silverwood-Burke Dairy Limited?—A. Silverwood-Burke Dairy Limited according to its charter dated 26th March, 1928. Now, the predecessor company was T. A. Burke. The date of the act was April 8, 1928. The assets, the consideration to the predecessor company, in other words, was cash and securities $45,000; preferred shares $75,000 and common shares 2,500 shares of no par value.

Q. Preferred shares 7,500?—A. 7,500.

Q. Common?—A. Common 2,500.

Q. Seven hundred and fifty shares par value, 7 per cent preferred?—A. Yes, sir. 2,500—

Q. Of no par value?—A. In addition to that the bonds as mentioned in the brief, of Silverwood-Burke of $87,500.

Q. Has there been any reorganization since that time?—A. No, sir, that is the basis on which that company was admitted into the Silverwood company.

Q. When it was taken into the holding company, you say there were bonds outstanding $87,500?—A. Yes, sir.

Q. Who was holding these, the preceding owner—Burke?—A. Now held, do you mean?

Q. No, at the time they were taken over; at the time the company was taken over?—A. We held them as Silverwood-Burke Limited, later they were transferred to Silverwood's Dairies Limited.

Q. But the bonds, you say, at the time this company was incorporated in March 1928, there were bonds outstanding of $87,500; who were these bonds distributed to? The general public or to Burke's perhaps as part of the purchase price of the business?—A. They are held in the main by the general public.

Q. Held in the main by the general public?—A. Yes, sir.

Q. And $45,000 cash, I think you said, did you?—A. Yes, sir.

Q. Now, when you talk about $75,000 cumulative—I am speaking about dollars now—cumulative preference stock, is that stock which is at present issued by the present company, or was that stock which was held by the old Silverwood-Burke Dairy Company Limited?—A. That Silverwood-Burke stock was transferred to Silverwood's Dairies Limited dollar for dollar. In other words, $75,000 of Silverwood's Dairies stock was exchanged for $75,000 of Silverwood-Burke stock.

Q. Yes, and what about the 2,500 no par value?—A. Similarly.

Q. It had been issued?—A. In these companies, sir—I don't know that there is any explanation. The stock for the holding company was exchanged dollar for dollar for the original Silverwood's company. In other words, if it were Silverwood's Kitchener Dairy, the shareholders of Silverwood's Kitchener Dairy received dollar for dollar in the holding company for their stock held in the Silverwood's Kitchener.

Q. Did that apply to no par value as well as common?—A. Yes, sir, common and preferred.

Q. You are quite sure of that?—A. I am quite sure I am right on that.

Q. On that non par value stock?—A. Yes, sir, that obviously makes a much more attractive proposition for the shareholders, does it not?

Q. Well, I don't know just what you mean by that?—A. Well, you have the strength of 26 companies comparable with the strength of one.

Q. Oh, I presume the usual advantages or disadvantages of mergers; some of the bigger corporations these days are not so sure mergers have been so good, even for themselves. It may be all right, it may have turned out all right for your business and many others. Well, then, so far as you are concerned in the information which you have at the present time we have just one financial set-up with respect to the Silverwood-Burke Dairy Limited taken over in 1928 by Silverwood's Dairies Limited?—A. I have the entire set-up sir, I will be very glad to give you a copy.

Q. No, no; you have the entire set-up with regard to Silverwood's Dairies Limited?—A. Yes, sir.

Q. But you have no details of the reorganization or changes in the capital structure of subsidiary companies other than what you have given us, which is not the change but just the set-up in the parent company?—A. Quite true, I have the schedule of the particulars of the acquisition of the subsidiary companies from predecessor interests, if that is what you mean.

Q. Well, that is what you have given us in respect to this one company, isn't it?—A. Right.

Q. But you have nothing else?—A. I have it for that, I have given it.

Q. But you have nothing before you at the present time which would trace the history of the company as far as the financial structure is concerned?—A. Apart from that, no.

The CHAIRMAN: Mr. Bowman, are you clear as to how Burke's Dairy became the property of Silverwood-Burke before it was handed over to the holding company?

Mr. BOWMAN: As I understand the witness these are the facts of that kind.

The CHAIRMAN: I would like to have that clear.

By Mr. Bowman:

Q. That Burke Dairy Limited was the result of a sell-out to Silverwood's Dairies limited for $87,500 of bonds, $45,000 cash, 75,000 preferred stock cumulative 7 per cent, and 2,500 no par value shares; is that correct?—A. That is right, sir, according to my record, it is correct.

Q. Have you in hand information with respect to the value that was placed upon the assets of the company at the time this change in ownership took place? —A. No, sir.

Q. Have you any information at all that you could present to the committee to show what of this money, bonds and stock, was transferred to the Burke company for?—A. The plant was appraised by the Sterling Appraisal Company in the regular way in line with all such transfers.

Q. Well, have you a copy of the appraisal before you?—A. No, sir, I have not the appraisal with me.

By the Chairman:

Q. You don't know whether there was anything for goodwill, or anything of that kind?—A. I could not give you any information about that at all.

Q. Anything with respect to depreciation, you can't give us any details with regard to that?—A. No, sir.

By Mr. Bowman:

Q. You can't offer us any details with regard to the amount of cash that was taken over by the new company?—A. No, sir.

Q. Well, is there any other company on this list of 26, which is set up in schedule A, on which you can give us some details along the lines that I am

trying to get at—prior organization, prior capitalization, and changes made from time to time; so as to show the history of the company?—A. I only have the similar information as I have given you on Hamilton.

Mr. BOWMAN: Well, Mr. Chairman, I don't think that presents any picture to the committee.

The CHAIRMAN: No, it does not.

By Mr. Bowman:

Q. Probably we could leave that for one or two other matters. The total preference stock of the Silverwood's Dairies Limited, now the holding company, is set out in your statement at $3,128,000; your class "A" no par value stock at 147,725 shares; now, at what book value are these class "A" no par value shares carried at in your annual statement?—A. You will notice again they are carried at the last audited statement as of April 2, 1932, 33,325 shares—I am sorry, that is preferred—class "A", 975,000 shares carried at 507.

Q. Just a minute, there is a mistake, not 507,000?—A. You are dealing with two different periods. The figures you quoted are April 1, 1933, and the audited statement is April 1, 1932.

Q. Well, then, will you give the comparable figures for these shares in the statement for 1932—the no par value shares outstanding then?—A. The difference is very little but it is in the statement as non voting fully participating class "A" shares 975,000 shares carried at $507,245; authorized, 975,000 shares.

Q. Don't give the authorized?—A. Issued, 147,765 shares.

Q. Very good, the same thing?—A. Right.

Q. What are they carried at in your books?—A. $507,245.

Q. That is about $3.

The CHAIRMAN: About $3.50, I would say.

Mr. BOWMAN: From a rough perusal of it, it appeared to run at roughly $3—I haven't figured it, it might be $3.50.

The CHAIRMAN: Pretty near $3.50—that is immaterial, I can't say exactly, but it is between $3 and $3.50.

The WITNESS: Well, the amount would simply represent the sale price on 147,765 shares of that stock.

By Mr. Bowman:

Q. What do you mean, sale price?—A. For the basis on which it has been sold, it has been sold in different unit values, of course.

Q. In what way?—A. Well, so many shares of preferred plus so much common was sold at a fixed amount in the early history of the company, then later it was sold separately as preferred and separately as Class A; in other words it was sold in units of stock and sold as shares of stock.

Q. Depending upon which of the companies was taken over, was it?—A. I presume so.

Q. Well you see Mr. Duplan you made the statement a little while ago that when one of these companies was transferred to the parent company you issued stock share for share. Upon what basis was it issued share for share?—A. Then of course there was further stock—either share for share, or sold within the organization.

Q. Subsequently?—A. Subsequently.

Q. When were these sales made?—A. Two, or four or five years ago.

By the Chairman:

Q. When was this class A stock authorized?—A. It was authorized by the incorporation of Silverwood's Dairies Limited.

By Mr. Bowman:

Q. You can hardly imagine a company putting on a sale of no par value stock, can you; which you carry in your books at $3.50, the public would not be interested in an issue of that kind.—A. Of course, it was sold at various prices. I appreciate that. As the stock grew more valuable the price fluctuated.

Q. I asked you the question as to whether or not any of this class A no par value stock was given as bonuses to the preferred shares?—A. Not to my knowledge.

Q. Would you say it was not?—A. I am not prepared to say it was not.

Q. What about the common? Was any of that issued as bonuses to the preferred shares?—A. That common stock, of course, is held by Mr. Silverwood and his family.

Q. No par value?—A. Common shares of no par value 25,000.

Q. They are held by the Silverwood family?—A. Right.

Q. And what were the circumstances in connection with the issuing of that stock?—A. It was issued in lieu of the goodwill, and certain obligations in accordance with the agreements under which these companies were taken on, from Mr. Silverwood.

Q. When?—A. At the incorporation of the holding company.

Q. What date was that again?—A. June, 1928.

Q. That was issued on bonuses?—A. Yes.

Q. For goodwill?—A. That was issued to Mr. Silverwood in the interest of the goodwill with the transfer from the various companies in which he owned or controlled, to the holding company.

Q. And I note that that no par value stock in the year 1928, 1929, 1930 and down to April 1, 1931, paid a dividend of $1 a share?—A. Yes, sir; 25 cents a quarter. You are correct.

Q. In other words, that for the goodwill at the incorporation—the general incorporation of Silverwood's Dairies Limited the Silverwood family have benefited to the extent of $25,000 a year from the sale of the goodwill up from July 1, 1928, to April 1, 1931; is that correct?—A. According to that assumption, yes.

Q. Is my assumption wrong?—A. No, sir.

Q. And from April 1, 1931, down to April 1, 1932, this common no par value stock which was given for goodwill paid dividends of 37½ cents a share?—A. Correct.

Q. And I presume that when business picks up again and the companies can afford it they will continue to give dividends on this 25,000 shares of common stock?—A. Right, we hope so.

Q. Now, let us come back to the Class A for a moment, and may I ask in that connection, Mr. Duplan, when your association with the company began?—A. Eleven years ago, in 1922, sir.

Q. What, during those years, had been your official position with the company? What is your present official position with the Silverwood's Dairies Limited?—A. General manager.

Q. So that you as general manager and as an associate with the company prior to the incorporation of the parent company have a very complete knowledge of the affairs of the company?—A. You must appreciate the fact, sir, and give me the benefit of the fact that I have only been general manager of the company for less than a year and prior to that I was assistant, and prior to that of course, was department head, and naturally I was not closely associated with this incorporation back in 1928 because I was not an officer of the company. I was departmental head at that time. Now, as far as that is concerned—and further I did not understand the basis of the investigation by this committee was purely and simply to delve as deeply as you have into the

financial structure, otherwise I would have brought sufficient information to answer your questions. I understood you were a price finding committee in the interest of the producer and the distributor. All the information I have is along that line rather than the financial structure of many years ago.

Q. I appreciate the difficulties under which you are labouring at the present time. But going back again to class A stock, you were associated with the company, as you say, since 1922. Now, can you not tell the committee from that association with the company under what circumstances this class A common stock was issued? I asked you the question: was it issued as bonuses with preferred shares?—A. Each company, of course, was transferred under agreement with Mr. Silverwood. Now, this agreement, of course, there are certain obligations pertinent thereto. You say—your deduction is that Mr. Silverwood and his family receive $25,000 a year income from that common stock.

Q. It is not a deduction—pardon me for interrupting you—it is not a deduction; it is the fact, according to your company's records?—A. Granted.

Q. And the statement you have submitted to the committee?—A. Granted. Further, as against that $25,000 there are certain obligations in those agreements that are chargeable against that $25,000.

Q. If there is anything of that kind, let us have all the details. We will be glad to have it?—A. These agreements are of a private nature, and I have not them with me, and I am not in a position to give you that information; but I will be glad to get it for you.

The CHAIRMAN: It is only fair to Mr. Silverwood.

The WITNESS: These are personal agreements and I have no authority to disclose the basis of those agreements.

By Mr. Bowman:

Q. No, I understand. It is not because we have misjudged the Silverwoods; we have simply taken the facts from the statement you have presented to this committee?—A. Correct, sir.

Q. Coming back again to that class A common stock which is issued, I asked you was that common stock, or any proportion of it, issued as bonuses to the preference stock?—A. Not to my knowledge.

Q. But I understood you to say a moment ago that you would not state that definitely?—A. No, sir; but I would be very glad to confirm that one way or the other for you.

The CHAIRMAN: Can you tell who holds the class A stock; or has the witness given that information?

Mr. BOWMAN: In a general way.

The WITNESS: Class A stock is held by a number or shareholders—the shareholders I gave you a moment ago.

By the Chairman:

Q. Are they the same shareholders as hold the preference stock?—A. In the main, yes; practically all shareholders hold preferred and class A.

Mr. BOWMAN: I think, Mr. Chairman, that the matter is of very vital importance if we are to know what profits the company is making, because as I have already drawn to the attention of the committee this class A stock has been paying dividends at the rate of $1 a share.

The CHAIRMAN: And 7 per cent on their preferred stock as well.

Mr. BOWMAN: Yes. But the stock which is paying $1 a share during these years from 1928 to April 1st, 1931 and 37½ cents from April 1931 to 1932 is only

worth, according to the records of the company, $3.50 a share, and yet it has been paying $1 annually.

The CHAIRMAN: It is not being sold though.

Mr. PICKEL: A man would be foolish to sell it.

By Mr. Bowman:

Q. You will present to the clerk of the committee a statement setting out since 1928 what proportion, if any, of this class A stock now issued and shown in your statement as 147,000 odd shares was issued as bonuses with the preference stock?—A. I will be very glad, Mr. Bowman; and any question that I was unable to answer this morning, if you will give it to me in writing, I will reply to it in writing for you.

Q. You can take that all as information which the committee is desirous to have?—A. I will be glad to do that for you.

Q. What proportion of this class A stock was issued as bonuses with the preference stock?

By the Chairman:

Q. By the way, we want that information fairly soon?—A. I will be glad to have it either above the clerk's signature or our solicitor or our secretary's, and have it in your hands by Tuesday morning.

The CHAIRMAN: That is all right.

By Mr. Bowman:

Q. In the statement presented to the committee of which I hold a copy in my hand there is reference made to consolidated surplus account as of April 2, 1932. Will you give us any details of that account?—A. Consolidated surplus company to my understanding represents—

Q. You said company; do you mean account?—A. Account—represents the surplus of the appraisal over the book value of the assets of the individual companies as taken into the holding company. In other words, if the company's equipment were appraised and it stands at the book value of $200,000, it is appraised at $208,000. Appraisal figures were used by the auditors and the $8,000 would be carried in the capital surplus account.

Q. In other words, it is a matter of bookkeeping?—A. Quite right, sir.

Q. In so far as that particular account is concerned?—A. In other words, the Clarkson people, and rightly so, in order to have a definite value for the original statements of the company, demanded an appraisal of each and every company. The appraisal, of course, was made and any amount in excess or below the book value was treated as surplus in the surplus account.

Q. In one case it was debited to the account and in the other case it was credited to it?—A. Yes. It is indicated; it is mostly credit.

Q. What is the net balance?—A. It is indicated here, sir.

Q. At what?—A. You can probably tell me where I could put my finger on it; you had it a moment ago.

Q. No. I was looking at the back of your statement. Look over the back of that sheet. It is net profit. That is the consolidated trading and profit account. Consolidated surplus account is at the end?—A. Consolidated surplus account—

Q. $1,359.26?—A. Apparently the amount, as the statements indicates and clearly sets out in the back page, is $153,816 excess of net assets of certain subsidiaries over their purchase price or over the book value.

Q. I cannot see that figure?—A. It is the first paragraph under consolidated surplus on the lower half of the back page.

Q. I cannot see any figures such as you have mentioned—oh, it is in the margin—"surplus at April 4, 1931, after applying $153,816 excess of net assets"?—A. Quite right.

Q. Now you have an amount set up in your record with regard to reserves, I presume?—A. Depreciation and reserve?

Q. Yes. What are your depreciation and reserve at the end of last year?—A. Reserve for depreciation was $1,491,044.07. It is on the centre of the first page, the inside page. Do you wish the rates? Did you say rates or reserve?

Q. Would you give the details of that?—A. Well, the schedule of depreciation rates, as used by our auditors, are as follows: plant machinery and equipment, 5 per cent; clothing equipment, 5 per cent; iceless cabinets, ice cream electric cabinets, 10 per cent; trucks and autos are divided into two districts, one district 25 per cent, and the other 15 per cent; horses, divided into districts, one 15 per cent, and the other 10 per cent. I will explain that by saying in certain large areas we find the life of a horse and truck equipment is much smaller than in the smaller points, comparable, for example, with Toronto and Guelph. In Toronto, the life is smaller, and we have the higher rate of 15 per cent and the others are at 10; wagons and stable equipment on the basis of 7½ per cent; office equipment on the basis of 10 per cent, and buildings on the basis of 1½ per cent.

Q. That is the standard you have set out throughout your organization?—A. That is throughout the organization, and you will find it is much less than what we would be permitted to use under government supervision, if we desired to do so.

Q. That is, you have probably read the evidence which has been presented by different companies with respect to the basis of depreciation—.A. I have seen very few of those reports, sir.

Q. One of the Borden organizations yesterday set up certain figures for depreciation, and two or three of the other companies follow the strict rates which are allowed in making income tax returns.—A. Right.

Q. But you say your rates are fixed on a lower basis.—A. Lower.

Q. You find that in actual practice the depreciation you set up is ample?—A. Reasonably so, yes. Might I just make this remark, sir. I wish to draw the attention of the committee to this fact that after all has been said in connection with the dividends of our company, the surplus of the organization, as at this statement, is the mere sum of $1,360, which indicates the company has paid dividends to its shareholders rather than creating those enormous surpluses that are quite customarily seen.

Q. Well Mr. Duplan, while that shows as your surplus, still you have other ways of setting up surplus, have you not?—A. Not according to the statement, sir. If there are, I would be glad to discuss them with you.

Q. For instance, you have reserves for depreciation.—A. Quite correct; but it is only ample to take care of the desired depreciation, is it not?

Q. Yes, at the same time you keep your plant up to 100 per cent, do you not?—A. Yes, sir. We consider that depreciation is ample.

Q. Yes.—A. My point, Mr. Bowman, is to explain that our depreciation is not excessive, and that our desire to pay dividends to our shareholders reflects in the small surplus of $1,360 in an organization the size of ours.

Q. Well, you will appreciate the difficulty under which we are labouring in glancing at a statement of this kind. Still I cannot concede that an organization such as this would show an actual set up on the little surplus of $1,360?—A. Notwithstanding that, it is a fact, sir.

Q. All right, I will accept your statement.—A. My only desire, in fairness to our organization, is to have the committee distinctly understand the reason for that small surplus.

Q. Yes, but at the same time, you have set up a very, very large account. You say it is reasonably ample for depreciation, which, after all, is another kind of reserve, is it not?—A. Quite true.

Q. And the reserve in this particular case is $1,491,044.07.—A. True. Are we not entitled to it?

Q. I am not questioning that at all. What other reserves do you set up besides that?—A. Well, we have a prepaid expense here of milk routes, purchases and expansion.

Q. Yes, what reserve have you set up there?—A. $439,806.94.

Q. Yes?—A. We have a further one, cream top bottle patent licence, less written off, $90,000.

Q. Anything further?—A. Those are the two large amounts, sir.

Q. You have organization expenses?—A. Expansion.

Q. Written off at $39,229.17?—A. Right.

Q. Bringing the total reserves up to $1,022,029.78.—A. Yes, sir.

Mr. PICKEL: $2,000,000.

Mr. BOWMAN: I am not looking at the right figure.

The WITNESS: You did not include depreciation.

By Mr. Bowman:

Q. Plus reserves for depreciation, which would bring it up to something over $2,500,000?—A. Yes.

Q. What reserve do you set up for bad debts?—A. Bad debts reserves are set up according to schedule, $76,000.

Q. $76,000?—A. Yes.

Q. That is your total reserve at the present time?—A. Yes, as at the date of this statement.

Q. What reserve did you set up last year, 1933?—A. I am sorry I cannot give you that authentically; it is not an audited statement.

Q. Can you give it to me approximately?—A. I do not believe I have that information, I am sorry, sir—$16,080.50. That is for the 11 month period, as at the end of February.

Q. In that reserve, would you just give me roughly what your total business transacted was?—A. $6,600,000 on the reserve, shown on the statement, of $76,000.

Q. I beg your pardon?—A. $6,640,721.95.

Q. That was the business transacted?—A. The total volume of business.

Q. During the year?—A. Yes.

Q. And the bad debts to which you just referred, $76,000 or $77,000 is the reserve set up for bad debts for doing that amount of business?—A. For the year's volume, yes, sir.

Q. On what basis do you work that out?—A. Well, that is done through the analysis of accounts by our credit department.

Q. Through which?—A. I might say that that is chiefly on milk routes. The loss in the dairy business to-day is in the bottled milk department, the sale direct to the consumer.

Q. I was going to say to the committee that the witness is not in a position, apparently, to give us much information with respect to the financial history of any of the subsidiary companies, which were finally taken over by the parent company. I do not know what the pleasure of the committee is in the matter. One of the members of the committee has asked if there is any one in your organization who could give us the details with respect to the matters. —A. Our auditor, our solicitor, or our president.

Q. They could give us that information.—A. Correct.

Mr. SPOTTON: Mr. Bowman, are we clear, or did you get it out to your satisfaction, the date on which the Silverwood promoter went down to see Burkes at Hamilton? What was the valuation of the plant and equipment that day? Was it valued by a regular appraiser, and what did they pay Burkes to get out of business?

Mr. BOWMAN: We have not got that, because the witness has told us he did not know.

The WITNESS: I have not the appraisal with me.

Mr. SPOTTON: We should like to know what Burkes received to get out of the way.

Mr. BOWMAN: We have that on record, yes.

By Mr. Bowman:

Q. Who would be the best man to give us definite information along those lines that I have been asking, the auditor?—A. The auditor.

By Mr. Pickel:

Q. How long has he been with you?—A. He has been with us 14 years.

Mr. SPOTTON: I think Mr. Silverwood would be the better man.

Mr. BOWMAN: Mr. Silverwood is living in London.

Mr. SPOTTON: So is Mr. Duplan.

By Mr. Bowman:

Q. There is one question you might be able to clear up for us, and that is this: while you cannot give us the individual holdings of the stock of the company, can you give us in a rough measure, what stock is held by the producers? You have told us the number of shareholders, but have not given us the amount of stock.—A. Well, I gave you the only information I have, and that was the information I gave out to you.

Q. I have the information you gave me.—A. Well, that is the only information I have.

Q. You have not got any information as to the total amount of shares held by them?—A. No, sir, it would be necessary to segregate that, from our stock records.

Q. I would suggest Mr. Chairman, that Mr. Duplan leave with the clerk the names and holders of the large number of shares, say a thousand shares, and group them as to owner-holders, such as Silverwood's, and secondly, as to producers, and thirdly, as to employee shareholders. Mr. Duplan, I presume you will be able to do that for us?—A. I will be very glad to.

By Mr. Mullins:

Q. Is this a farmers' organization? Have you farmers in the organization? —A. Shareholders?

Q. Yes.—A. Yes, to the extent of the number of shareholders, about 50 per cent.

Q. Fifty per cent farmers?—A. Yes.

By Mr. Pickel:

Q. Mr. Duplan, I should like you to tell me as quickly and briefly as possible what your selling price of milk has been in Hamilton? You can tell me that offhand.—A. Well, I will be accurate, sir. The selling price direct to the consumer, 10 cents a quart and 6 cents a pint.

Q. And cream?—A. 50 cents a quart.

Q. How many grades of cream do you sell?—A. Table cream and the whipping cream.

Q. What do they contain, what per cent?—A. 24 to 25 per cent.

Q. You just sell two grades?—A. No, we sell what is called a breakfast cream, 10 per cent.

Q. Cereal cream?—A. 10 per cent.

Q. Right, and the next?—A. We sell 10 per cent, 24 per cent, and whipping cream approximately 35 per cent.

Q. That is three grades?—A. Yes.

Q. What do you sell your 10 per cent cream for?—A. The 10 per cent cream is sold at 10 cents a half pint and 35 cents a quart.

Q. And your 24 per cent cream?—A. 50 cents a quart; 16 cents a half pint.

Q. And your 35 per cent?—A. 75 cents a quart, 23 cents a half pint.

Q. What do you pay for milk now, purchase price?—A. Purchase price? You mean the base?—A. $1.45.

Q. What is your average?—A. $1.53.

By Mr. Tummon:

Q. Those figures that you are giving us, are they present figures?—A. That is the average price.

Q. Over what period?—A. The eleven months ending the end of February.

Q. Of this year?—A. Yes.

By Mr. Pickel:

Q. One of the committee men suggested to me that perhaps the Hamilton man would be more conversant with those prices than you?—A. It is immaterial. We both have the information identical.

Q. Do you pay for all of your milk on a whole milk basis or do you have a surplus price?—A. We pay a surplus; 11·4 per cent of the milk purchased at Hamilton during the eleven month's period was paid for on a surplus basis.

Q. What do you do with your surplus milk?—A. It is made into butter.

Q. All of it?—A. You are speaking of the organization at Hamilton?

Q. Hamilton especially?—A. Hamilton especially; yes, it would be practically all made into butter.

Q. None of it is separated for sweet cream?—A. No; our sweet cream is supplied by our Woodstock plant.

Q. What do you pay for sweet cream?—A. What would Hamilton pay Woodstock for it? They are paying at the present time 31½ cents a pound delivered.

Q. That is 31 cents a pound butterfat?—A. 31½ cents a pound butterfat delivered at Hamilton.

Q. What is the price of your surplus milk?—A. Our price, or the average over the eleven months' period as paid in Hamilton was $1.02.

By Mr. Loucks:

Q. Is that delivered?—A. That is delivered at the plant?

By Mr. Pickel:

Q. The price you pay for the whole milk, for the street delivery milk was what?—A. $1.53.

Q. That was at the plant?—A. At the plant, yes.

Q. Transportation out?—A. Yes. Don't misunderstand me. $1.45 on the 3·4 basis; our cost is $1.53 because of the fact that it is higher than 3·4.

Q. Do you pay a premium?—A. We pay four cents, four cents a point, yes, sir.

Q. Do you manufacture ice cream at your Hamilton plant?—A. No, sir.

Mr. TUMMON: I don't know, Mr. Chairman, just what—

The CHAIRMAN: I understand, Mr. Tummon, that you and other members of the committee wanted to go down town to attend some function that is going on there. I doubt if we can complete the examination of these two witnesses by one o'clock. I was wondering if we could not sit again at 3.30 or—

Mr. TUMMON: I can stay, and I am twenty after twelve now. I think I can get through.

The CHAIRMAN: Well, just as you desire; I am only making the suggestion. If you are prepared to go ahead, Mr. Tummon, very well.

By Mr. Tummon:

Q. Mr. Duplan, you said it made no difference whether you or the manager of the Hamilton plant gave evidence?—A. Quite immaterial.

Q. My remarks will be directed practically wholly to the operation of the Hamilton plant.—A. It is quite immaterial, sir; whichever you prefer.

Q. It does not make any difference to me; it is whichever one can give the information. That is all we are here for. All right, if you can give it?—A. I think I can; if not, I will call on our Hamilton man.

Q. Can you tell the committee, Mr. Duplan, how many distributing companies there are in the city of Hamilton?—A. No, sir. I can give you the main distributors, the larger distributors.

Q. What are the main ones?—A. What is known as the Hamilton Pure Milk Dairies Limited; and the Hamilton Brothers, the name of their company?

Mr. BALL: The Royal Oak.

The WITNESS: Royal Oak; and Westdale.

Mr. BALL: Acme-Farmers.

The WITNESS: Acme-Farmers; the Toronto concern there, and our company.

By the Chairman:

Q. Acme-Farmers is a subsidiary of Eastern Dairies?—A. Of Eastern Dairies. There are a number of smaller distributors.

By Mr. Tummon:

Q. That number of large, and a number of smaller distributors?—A. There are a number of other distributors.

Q. Who are producers as well?—A. I will ask Mr. Ball to answer that question.

Mr. BALL: I don't think there is; no big producer distributing milk there at all, other than the Farmers' Co-operative Company.

Mr. TUMMON: This gentleman, Mr. Ball, might sit up there with you, Mr. Duplan.

By Mr. Tummon:

Q. You state there would be probably from 15 to 20 different companies that are distributing milk in the city of Hamilton?—A. Yes.

Q. Now, there is a producers' association, I presume, around Hamilton?—A. Yes.

Q. Does that producers' association represent producers that ship their product into Hamilton and also into Toronto; is it an organization, do you know, that covers both those cities?—A. My understanding is that the Hamilton organization is a member of the Ontario organization, and the Toronto organization as well is a member of the Ontario organization.

Q. They practically co-operate?—A. In other words, the Ontario organization is the controlling body of these organizations in the various cities, and they have organizations in the various cities of the province.

Q. So that in arranging the price that distributors will pay to the producers, the distributors of Hamilton meet with the executive perhaps of the producers around Hamilton?—A. A committee of the distributors meet with the executive of the producers' association, yes.

Q. Do all these smaller companies in Hamilton co-operate in that way with the producers?—A. No.

Q. Do the smaller producers maintain the price——A. No.

Q. —that they pay to the producer?—A. Not generally, no.

Q. Do they pay a smaller price, a less price, do you know?—A. According to the information that is tabled at these meetings—we have not that in any definite way—but according to the information tabled, I would say yes.

Q. Do they maintain the price to the consumer?—A. No.

Q. They break the price then perhaps both ways, do they?—A. Quite true.

Q. You pasteurize your milk in Hamilton, I presume?—A. Yes.

Q. Do the by-laws of the city call for a pasteurized product being distributed in Hamilton?—A. I have heard that question, as far as Hamilton is concerned, answered both ways. To my knowledge it is yes. Am I right.

Mr. BALL: Yes.

By Mr. Tummon:

Q. To your knowledge there is a health regulation or a by-law in the city of Hamilton requiring pasteurization?—A. That is the information we have received.

By Mr. Bouchard:

Q. And no certified?—A. Milk from government accredited herds or pasteurized. Am I right?

Mr. BALL: Must be certified milk or pasteurized.

By the Chairman:

Q. What constitutes certified milk; this milk that is from accredited herds or do they have any other process outside of that at all?

Mr. BALL: There is no certified milk being distributed in Hamilton at all, nor I don't think there is in the province; it is almost impossible to comply with the regulation, it is so rigid.

By Mr. Tummon:

Q. Do you deliver a standardized product in Hamilton, milk?—A. What do you mean by a standardized product?

Mr. BOUCHARD: A standard.

By Mr. Tummon:

Q. Milk that contains a certain amount of butterfat.—A. In other words, what is the butterfat content, the standard butterfat content, of our milk?

Q. Yes?—A. From 3·6 to 3·7.

Q. You maintain that along at that point?—A. Not less than 3·6, and not more than 3·7.

The CHAIRMAN: In other words, you mean does he step up or down.

By Mr. Tummon:

Q. What is meant is, supposing you were getting from the producer milk that tests 3·5; how do you bring that up to 3·6 or 3·7?—A. My statement that

our average cost of milk in Hamilton is $1.53 would answer that question, would it not? In other words, the total test of the milk we receive in Hamilton is 3·6; therefore our cost is $1.53.

Q. You mean the average is 3·6?—A. Yes.

Q. But there might be some that was shipped below; some might be 3·4?—A. That is off-set by the person who is shipping 3·8.

Q. Yes, when you mix it together?—A. Yes, it is mixed together.

Q. That brings it up. Supposing you had milk that tested 4·7; how would you bring that down to 3·6?—A. We don't have 4·7 milk, only in jersey.

Q. Does jersey milk not go in with the other?—A. No, it is all sold separately.

Q. And you never have any vats that test 4·7 or along there?—A. Of ordinary milk?

Q. Yes?—A. Not to my knowledge.

Q. Nor to bring it down to 3·6 or 3·7?—A. Not to my knowledge. Mr. Ball might answer that.

Mr. Ball: No, absolutely.

By Mr. Tummon:

Q. You have not any of your daily sheets here at all?—A. We have our recap.; that answers it.

Q. You have not any of your daily sheets, though?—A. No.

Q. In the putting out of 3·6 or 3·7 milk, do you get vats that contain higher than that and have to step it down to 3·6 or 3·7?—A. We have been successful in watching the milk as it comes in and getting the high test milk and the low test milk being added to a vat, so that ultimately we get 3·6 or 3·7 milk. I would not even say that we do not on certain occasions put out a 3·8 milk in Hamilton.

Q. I think, in any event, one of the city regulations was that 3·25 is a minimum.

Mr. Pickel: Why did they set their standard so high, 3·6?

Mr. Tummon: Probably they want to deliver a little better butter fat in milk than the minimum requires.

Mr. Bouchard: Butter fat is cheap.

Mr. Pickel: They don't have to pay so much for it.

By Mr. Bouchard:

Q. As it stands now, I think it is not a tendency of the farmers—you pay 4·4, I understand?—A. 3·4.

Q. 3·4; no but you pay four for each point?—A. Four cents for each point of butter fat above 3·4.

Q. Supposing I am producer; instead of selling my milk as surplus milk, I think I would skim that milk and put the cream in my milk so as to raise it to 3·8 or something like that; do you think it would be a paying operation?—A. Depending on the price of sweet cream and the price of milk.

The Chairman: I am afraid you would have surplus milk just the same.

Mr. Bouchard: No, but if I am not content to sell it as surplus milk, and add a little cream to the ordinary milk so as to raise the standard of that milk, would you state that I will get a higher price for my butter fat out of this milk than out of surplus milk?—A. What do you think of that?

Mr. Tummon: Mr. Chairman, it looks as though I have to go now; if the committee would be agreeable to adjourn until 3.30, I would appreciate it.

The Chairman: I think the committee should. In the meantime, if anybody else wants to ask questions, we can carry on, but with the understanding that we will be here at 3·30 again.

Mr. BERTRAND: We could adjourn now until 3.30, if it is the wish of the committee.

Mr. TUMMON: Yes. I would like to take the questions up where I left off.

The CHAIRMAN: I think you should have the privilege of doing that.

The WITNESS: May I be permitted to answer a question of the Doctor here, that he asked, why we distribute 3·6 milk?

The CHAIRMAN: Yes.

The WITNESS: Because of competition.

By Mr. Pickel:

Q. On account of competition?—A. Absolutely.

By Mr. Bouchard:

Q. If I am bound to sell 10 gallons of milk and I skim milk and add whole cream to ordinary milk so as to raise the standard of that milk I think, according to what has been said, I would get a higher price for the butterfat out of this milk than I would out of surplus milk; what do you think about that?

Mr. TUMMON: Mr. Chairman, it looks as though I would have to go, and if the committee would be agreeable to an adjournment until 3.30 I would appreciate it.

The CHAIRMAN: I think the committee should. In the meantime if anyone wants to ask questions at the moment they may do so, but with the understanding that we will be here again at 3.30.

The WITNESS: What would this milk be worth, is that your question?

By Mr. Pickel:

Q. Do you not require your standard to be 3·6 instead of 3·5—you get a point there that you don't have to pay for?—A. We pay for it the same, 4 cents a point for it.

Q. I understand if your standard was 3·5 you would have to pay 4 cents more if it is 3·6 milk?—A. You are right, sir.

By Mr. Bouchard:

Q. But do you agree with my point that there is a tendency for the producer—.—A. I think you will find, sir, that that prevails in many parts of the province and is more or less governed by the city price for sweet cream and churning cream.

Q. But my point is to sell my milk which I have as surplus not as fluid milk but to skim it and to add a cream to the contract milk?—A. I can only answer that question by saying that it is all depending upon the market value of sweet cream, churning cream, or any other outlet that you might have for your milk.

Q. No, I am not speaking about that?—A. Supposing that you skim your surplus milk and get more for it than you can for the differential by adding it to the whole milk, then you would be well advised to sell it through that channel, wouldn't you.

Q. Yes. But if I have no other channel than surplus milk?—A. I am not saying that you should do it, but I will say that it has been done.

By Mr. Gobeil:

Q. In order to make that point clearer, Mr. Bouchard: the city are paying 4 cents per one-tenth point above?—A. It is not a case of what we want to do, or what we are doing; it is a government regulation.

Q. I mean the price per tenth-point over?—A. It is a government regulation; the government regulation says that whole milk purchased for sweet milk distribution has to be purchased on the basis of 3·4 per cent butterfat, and a 4 cent differential up or down. That is definite, that is a matter of law.

Q. So that, as a matter of fact, if the producer could add to his milk one point of butterfat per hundred pounds of milk, that extra point of butterfat would be worth 40 cents.

Mr. Bouchard: That is 40 cents a point; well, if the surplus milk is selling for—

Mr. Spotton: They would cut him off then.

By Mr. Bouchard:

Q. Yes; but suppose I have 3·5 per cent surplus milk, I think that is sold for?—A. $1.14.

Q. For $1.14. Instead of selling my milk for $1.14 I will sell it for $1.40, if I just skim the milk and add this cream to the ordinary milk—so there is a tendency then to change the natural standard of the milk; have you noticed that?—A. I can only say that it has been done, I am not speaking for the producer at all.

Q. Yes; would that be a legal procedure under your rules and regulations?—A. I think you have the complete answer to your question in the Act, which says that you must not add to or take from any milk.

The Chairman: That is for the distributor, I don't think it applies to the producer.

By Mr. Bouchard:

Q. Milk is bound not to be altered in any way by the distributors. I know that the general law is against it; but you admit that it would be a good operation, if I were a producer of milk?

By the Chairman:

Q. Now, professor, let me ask a question along that line will you, just so that I understand it: What is the percentage of surplus milk that you are paying for at the present time?—A. 11·4.

Q. Suppose Professor Bouchard has a farm, and he had 200 pounds of milk. and he tried to dispose of that surplus by skimming it and adding to his original quantity say 20 pounds; that would bring it up to $1.80; but what about the surplus that he would still have?

Mr. Bouchard: No, that is not the problem I have put. Suppose, for instance, I have 100 pounds of ordinary milk at $1.53, and I am left with 10 pounds of surplus milk and I just skim my ten pounds of surplus milk.

The Chairman: Your 10 pounds?

Mr. Bouchard: Yes, 10 pounds; and I will get for that on the butterfat basis four cents for each tenth of fat, so I will increase the value of my milk and I will dispose of these 10 pounds of surplus milk at a price of $1.40 instead of at a price of $1.14.

The Chairman: Yes, professor, but you would still have 9 pounds of surplus milk.

Mr. Bouchard: No, the surplus would be taken off.

The Chairman: That is not the custom that is followed by the distributing plant.

By Mr. Bouchard:

Q. Now, supposing I am a producer and my quota is 200 pounds and I produce 300 pounds, do you see; and your quota is for milk of 3·5. I take this milk at 3·5, and instead of selling my surplus milk over my quota of 200 pounds I skim it and I put the cream in to add to the cream in the ordinary milk so as to make that milk about 4 per cent—which is quite reasonable—and I sell my surplus milk at $1.40 instead of selling it at $1.14?—A. Yes, you have increased have you not.

Q. No, I have not increased the volume?—A. You have taken out a certain portion of cream from your surplus milk and added it to your regular supply?

Q. Yes, but I now have no surplus?—A. Understand me correctly, it is not compulsory for anyone to ship surplus milk so far as we are concerned.

Q. I know that, but if I have no other outlet for my surplus milk?—A. Then we would accept it if you desired to ship it to us.

Q. You what?—A. We would accept surplus milk but we don't ask for it.

Q. I know, but the fact that you have 11·4 surplus milk indicates that the farmers have no other outlet for their surplus milk?—A. That is, at a profitable rate.

Q. Yes.—A. If cheese was profitable naturally that 11·4 per cent would go to the cheese factory, and when they were paying the more profitable rate the cheese factories were getting the surplus milk.

Q. I don't question that, that is not the point?—A. Well, of course, professor the other point is,—you will tell me that if you separate your milk you don't get all the fat out of it.

Q. We don't get?—A. You have a loss in separation.

Q. But very little; of course, more than you get at the factory, but very little?—A. Unfortunately, it is a consideration.

Q. A very small consideration, because if you have a very low test cream you don't lose much fat but when you have a high fat content cream you would lose much more.

The committee adjourned at 12.40 p.m. to meet again at 3.30 p.m., to-day.

The hearing resumed at 3.30 p.m.

Mr. Duplan, recalled.

The Chairman: Mr. Duplan, when we adjourned Mr. Tummon had some further questions to ask you.

By Mr. Tummon:

Q. Mr. Duplan, when we adjourned, I had asked you about the classes of milk you distribute in Hamilton, and I think you said you had practically one class, and that as far as certified milk was concerned, there was very little of it.—A. Our's is all pasteurized milk, sir.

Q. Can you give us the total amount of fluid milk that was purchased by the Hamilton plant? I understand you have not it for 1932.—A. I have it for 11 months, from April, 1932, to February, 1933.

Q. Will you give the committee that? You are dealing now with 11 months, and all your figures relate to that?—A. Yes.

Q. My questions will be confined to that unless I indicate otherwise.—A. We purchased in the city of Hamilton on a regular basis 2,555,328 pounds.

Q. You purchased that on the regular basis. What do you mean by that?—A. That is the milk, as I said this morning, that cost us $1.53 on the average.

Q. What might be known as association price?—A. Association price.

Q. That does not cover milk purchased at surplus prices?—A. No.

Q. Will you give us the quantity purchased at surplus prices?—A. 327,106 pounds.

By Mr. Pickel:

Q. What is the percentage?—A. 88·6 regular, 11·4 surplus.

By Mr. Tummon:

Q. You have already given us the price per 100 pounds of the association milk and the price per hundred-weight of the surplus milk.—A. Yes.

Q. In each case the price quoted meant transportation charges free at your plant door.—A. These are all delivered prices.

Q. During that 11 month period, can you tell the committee what you sold that milk per quart, the average price per quart at which you sold milk during the period of 11 months you are covering.—A. Yes. Our sales price on the average was 9·81 cents.

Q. Have you the price per quart at which it figured out, the purchase price?—A. 3·91 cents.

Q. That gave a spread of how much?—A. 5·90 cents.

Q. Can you break that spread down, Mr. Duplan, and let us know the items that enter into it.—A. Yes. Production expense, the average for the year was 1·17 cents. What I mean by production expenses is the cost of wages plant. Just a moment and I will give it to you definitely. Wages plant, supplies per unit, bottles broken in the plant, light, heat and power, storage and refrigeration.

Q. What is the next item?—A. The next item is what we call sales distribution, or delivery expenses.

Q. Will you give us the items covered by that?—A. Included in that item of sales distribution are, wages to drivers, automobile expenses, stable expenses, advertising per unit, bottles lost or broken outside plant. Those expenses in Hamilton amounted to 3·08 cents.

Q. What is the next item?—A. The next item is indirect expenses.

Q. What is covered by indirect expenses?—A. Indirect expenses cover management, administration expenses, station and office supplies, messages, postage, war taxes, rent, insurance and taxes, group insurance, workmen's compensation, plant upkeep and repair, travelling, general advertising, general donations, interest and exchange, mortgage exchange, repairs, insurances and taxes if any on rented property, bad debts, sundry expenses, depreciation generally, and reserves for Dominion corporation taxes.

Q. How much of your administration costs have been charged up to the fluid milk?—A. We proportion it on the dollar volume.

Q. On the dollar volume?—A. Yes.

Q. So that the figures you are giving us of all those items as regards the cost, are proportioned between your fluid milk and your sweet cream and your butter, and such like, are they?—A. Yes; I would like to point out to Mr. Tummon that the amount of sales distribution of 3·08 cents is an abnormal figure. Generally speaking, that figure is somewhere in the neighbourhood of from 2·3 to 2·6 cents; but due to the fact that our milk business is large in proportion to the area of Hamilton, the cost obviously is higher.

Q. Have you covered all the items that enter into it?—A. Yes.

Q. Those are all the items that make up a total of 5·90?—A. Well, the net profit.

Q. Let us have that.—A. ·370 cents.

Q. Approximately a little better than one-third cent a quart?—A. Yes.

Q. Now then, in regard to your surplus milk, which comprises 11·4 per cent of the total milk purchased, how do you use that milk?—A. That milk was made into butter, and from the butter we sell the buttermilk.

Q. As well as the butter?—A. As well as the butter, yes.

Mr. PICKEL: How much is the buttermilk?

By Mr. Tummon:

Q. A committee man wants to know how much is the buttermilk?—A. How much per quart?

Mr. PICKEL: Yes.

The WITNESS: We sell on the basis of seven cents a quart or 20 cents a gallon in Hamilton.

By Mr. Bouchard:

Q. Made out of fluid milk or out of cream?—A. Made out of cream from the surplus milk.

Q. It is a by-product in your case?—A. Yes. It is not made from the old type of skim milk plus culture; it is not that type; it is straight churned buttermilk; of course there is a certain culture added to it.

By Mr. Tummon:

Q. Mr. Duplan, will you tell the committee whether or not you have some direct method by which you arrive at what is surplus and what is association milk?—A. We find that the producers' association generally request, and we use in many points, the basis of the first month of the quarter of each year. In other words, that is January, April, July and October.

Q. That would be the first month of each quarter?—A. And we take the average. If in the four months we have say 120—you can easily see what it is, 31, and 30 and 31 and 31; that would be 143 days. We take the total shipments—

The CHAIRMAN: 123 days.

The WITNESS: I am sorry, 123 days. We take the total shipments by the individual producer, and we divide it by 123, and that constitutes his daily base. If the total of all the producers shipping to that plant is less or more than the sales requirements, then we increase or decrease the base two per cent or five per cent; if it is short of that amount we build the daily base up to the amount of our total milk requirement.

By Mr. Tummon:

Q. So that you really arrive at an arrangement with the producers' association?—A. In the majority of points, yes.

Q. Whereby you are going to decide what is surplus and what is association?—A. Yes. We permit the president of the producers' association to come to our office, if they so desire, and to check those figures. Only last week we supplied to one of the western Ontario producers' associations the entire figures covering the year, taken on this basis; they had that information presented to their executive, and then came back to us with the report that it was quite satisfactory, and we placed it in effect. In other places, they use the last four months of the year, September, October, November and December, and the first one of the year, in January. We pretty well leave that in the hands of the producers' associations as to what base of compilation they desire.

Q. So that, really, the amount of surplus milk that you pay for to the producer is arranged for or decided upon a basis agreed upon between the producers' association and yourself?—A. According to our record, Mr. Tummon,

I gave you the figure that we purchased and our bottle requirements for that same year was 2,595,000 pounds, so that you can see that that checks almost accurately with what we paid for and what were the requirements of that department.

Q. Now, you sell considerable sweet cream, I understand?—A. Yes.

Q. Quite a sweet cream trade?—A. Yes.

Q. How do you purchase that?—A. We have at Woodstock what we call or term our powder plant; it is separate from our dairy. All the milk purchased for that plant is purchased on what is termed a manufacturing basis. This has nothing to do with the regular surplus. It is not in the same building at all. It is two blocks away. It is paid for at a figure or on a base similar to powder plants and condensors of our competitors. We separate the cream from the whole milk and ship the cream to the subsidiary companies of our organization. They supply London, Brandford, Hamilton, St. Catharines, Toronto and other points; and the skim milk is powdered and in the main is exported to the old country.

Q. That is when the product comes to your Woodstock plant, it comes in the form of fluid milk?—A. Fluid milk.

Q. Can you tell the committee what price you pay for that fluid milk at Woodstock?—A. We paid, for the eleven months, an average price of 84·9.

Q. That is 84·9 cents per hundred pounds?—A. 84·9 per hundred pounds.

Q. Delivered at the plant?—A. Delivered at the plant on the basis of 3·4 and 4.

By the Chairman:

Q. That is calculated on the butterfat price?—A. It is calculated, Mr. Chairman, on the basis of the powdered and condensed milk market.

Q. I mean the whole milk?—A. We buy it at 3·4 and 4.

By Mr. Tummon:

Q. Yes, it is on the powdered and condensed milk market, it is based, not based at all on the sweet cream market; that has nothing to do with it?—A. It has very little to do with it. It has some little bearing, but very little. You can appreciate that in selling that cream at 31½ cents delivered, that there is very little profit as far as cream is concerned.

Q. Have you the records of that Woodstock plant, so that you can tell the committee how many pounds of sweet cream you shipped from that to your other subsidiary plants during the eleven months, Mr. Duplan?—A. We had 12,847,360 pounds, and the average test was 3·43; I could tell you approximately.

Q. Approximately what is that?—A. That is about 26 cans a day.

Q. About 26 cans of cream per day?—A. Yes.

By the Chairman:

Q. 30 per cent cream or what?—A. It runs from the neighbourhood of 35 to 38 per cent.

By Mr. Bouchard:

Q. Is it diluted afterwards or how do they make their 10 per cent cream, their cereal cream?—A. By adding milk.

By Mr. Tummon:

Q. That would run between probably 900 and 1,000 pounds of butterfat per day?—A. Approximately, yes.

Q. Approximately somewhere along there?—A. Yes.

Q. That would mean how many pounds of milk approximately?—A. The average?

Q. Yes, just the average?—A. Well, 12,000,000 pounds of milk over 365 days is about 36,000 pounds.

Q. And the sweet cream would probably account for one-third of the sweet milk that comes in, would it?—A. You have 36,000 pounds—

Q. Per day?—A. Of milk per day, and you ship out twenty-six times eighty; in terms of pounds of cream—

Q. Well, I just wanted to find out the relationship in regard to the amount?—A. About 2,000.

Q. What is the total amount of milk received at your Woodstock plant that went into sweet cream and what went into that dry milk?—A. I would say there is approximately 36,000 pounds of milk, of which 2,100 or 2,000 pounds of it went into sweet cream.

The CHAIRMAN: Hundred?

By Mr. Tummon:

Q. 2,100 pounds?—A. It would be twenty-six cans on the basis of 80 pounds.

Q. Did I understand you to say that just twenty-six cans of milk a day was received?—A. No, twenty-six cans of cream a day was separated from this milk.

Q. And those twenty-six cans of cream per day would represent how many pounds of milk coming into your factory?

Mr. PICKEL: Those are 80 pounds cans?

Mr. BOUCHARD: Yes.

The WITNESS: A can of 82 pounds, and 36 per cent, would be how many pounds of fat—you can easily get at it here, that is 29½ pounds of fat. All the milk, if that is what he wanted—

The CHAIRMAN: Yes, that is what he wants. What percentage of that milk that you receive at that factory is separated?

The WITNESS: It is all separated.

By Mr. Tummon:

Q. Yes, it is all separated; perhaps we can get at it this way: After you have separated it all into cream, what proportion of that cream goes into your sweet cream trade to the other subsidiary plants or goes into your condensor for making dry milk?—A. Well, any of the sweet cream which we are unable to sell on any day is sent to our London plant and is made into butter.

Q. Now, you don't mean to tell us—I am sure you don't—that first of all you bring it into your Woodstock factory in the nature of fluid milk and you separate it there into cream, and then you would ship your sweet cream, we will say to your Hamilton plant?—A. Yes.

Q. And you would take it out on your rigs, on your delivery rigs and then any not sold is brought back into the factory and shipped to your London plant; you would not tell us that?—A. No, I am sorry, Mr. Tummon. Any cream that is returned at Hamilton is made into butter at Hamilton. But you appreciate that this production or receipts of milk vary becauses we have no daily base. We don't operate on a daily base in a powder factory. If a man wishes to ship is 1,000 pounds in June and 2,000 pounds in December, we accept whatever he desires to ship us, so that it does fluctuate in the terms of production of cream; there are certain months of the year when our sweet cream requirements by no means meet the production of sweet cream. Therefore we probably have 10, or 12 or 15 cans of sweet cream in excess of the sweet cream requirements, and that excess amount is sent to our London plant and is made into butter, and the sweet cream that we have not sold, on that particular day is sold to the subsidiary companies of the organization.

By Mr. Bouchard:

Q. What was the average price per butter fat pound for your sweet cream? —A. What did we sell our sweet cream for?

Q. No, that you pay.

The CHAIRMAN: Purchase price.

Mr. BOUCHARD: Yes.

The WITNESS: Well, it was ·849 for 3·43; in terms of butterfat that is—

Mr. BOUCHARD: Thirty-six cents, you said.

The CHAIRMAN: No.

The WITNESS: Twenty-six cents.

By Mr. Bouchard:

Q. Twenty-six cents?—A. Yes, a little over 25 cents, 25 and a fraction, nearly 26 cents.

Q. So that all this milk that goes into sweet cream is bought at the butterfat price?—A. Well, it is bought on a base of 3·4, and then we pay four cents a pound for any butterfat in excess of 3·4 or 4 cents less a pound for any testing less than 3·4.

Q. It is not bought as fluid milk at the association price?—A. It is not bought at association; it has nothing to do with association; it is manufacturing milk.

Mr. TUMMON: The only thing is they get their product for their sweet cream trade in Toronto from the Woodstock plant and other subsidiaries.

By the Chairman:

Q. Have you a condenser at Norwich—have you one at Aylmer?—A. No.

Q. Have you none at Norwich?—A. No.

Mr. TUMMON: The Borden Company have.

The CHAIRMAN: Oh, yes. I beg your pardon.

By Mr. Tummon:

Q. But you pay for the fluid milk, or your Woodstock plant, on the basis of 3·4 did you say?—A. Yes.

Q. Per pound butterfat; you pay that to the producer?—A. Yes.

Q. And when your Hamilton plant buys sweet cream from your Woodstock plant, you, or your Woodstock plant, charge them how much per pound butterfat?—A. Present day prices $31\frac{1}{2}$ cents delivered Hamilton.

Q. And on the present day prices, what are you buying 3·4 for at the Woodstock plant?—A. We buy 3·4 and 4 cents a point; the price there at the present time is 90.

Q. Yes, and you figure that the difference is taken up by—?—A. There is $1\frac{1}{2}$ cent transportation off the price, Mr. Tummon, for delivering cream to Hamilton and the return of the empty cans; approximately $1\frac{1}{2}$ cents—somewhere around one cent, $1\frac{1}{4}$ cents, $1\frac{1}{2}$ cents.

Q. How many grades of cream? How many do you sell in Hamilton?—A. Three; breakfast or cereal cream, table cream and whipping cream.

Q. Yes, now you gave, I think, to Dr. Pickel this morning, the price you sell that for on the street.—A. Yes.

Q. I don't know that it is necessary to go over that again.

Mr. PICKEL: I would like to have that again.

By Mr. Tummon:

Q. All right, will you just read it off again so we will have it in the record. —A. These prices to the consumer?

Q. Yes.—A. 10 per cent cereal cream is sold at 35 cents a quart, and 10 cents a half pint.

Q. Just the quart.—A. Table cream is sold at 50 cents a quart.

Q. It is 25 per cent cream?—A. 24 to 25; and the whipping cream at 75 cents a quart.

Q. That is 35?—A. Yes, at 75 cents.

Q. And the cereal cream is 10 per cent?—A. 10 per cent.

By the Chairman:

Q. And a proportion of that will be bulk sales?—A. Yes, sold to restaurants, and so on.

By Mr. Bouchard:

Q. There is no relation whatever between the prices, you don't follow the butterfat price in your cream?—A. No, sir, I was just answering your question, I will give you the information that will help you, sir. I can't give it to you for Hamilton, I will give it over the entire organization; 94½ per cent of our sales are regular milk; 2 per cent Jersey; 2½ per cent cream and 1·7 per cent is butterfat; that constitutes our sales.

By the Chairman:

Q. Is that based on revenue?—A. That is based on sales of quarts.

By Mr. Bouchard:

Q. On volume?—A. Yes.

By Mr. Tummon:

Q. That is, everything is brought down to the quart there?—A. These are all on the basis of a quart unit.

By Mr. Bouchard:

Q. That is hardly a fair basis of comparison because one quart of cream in reality bears a greater proportion to the quart of milk.—A. As far as butterfat is concerned, quite true; I was giving it in relationship to the actual quantities.

By the Chairman:

Q. You haven't got it in dollars and cents?—A. Sorry I haven't got it in dollars and cents.

By Mr. Bouchard:

Q. I would like to ask, do you think for instance, 10 per cent cream sold at 35 cents a quart, and 35 per cent cream—whipping cream as you call it—would be sold then at 75 cents; but if you multiply this by 3·5 that would make $1.05 as your basis; then you added cream on a fat point basis and you sell it on another basis.—A. I will be frank and tell you that the cost of cream in any of these denominations is about one half the sale price, approximately half of the sale price.

By Mr. Tummon:

Q. That is what it cost?—A. The cost is about half the sale price.

Q. Half of the sale price?—A. If you take the trouble to figure it out, you will find it is practically correct.

The CHAIRMAN: That is practical information.

By Mr. Tummon:

Q. Now, figuring out the cost is half of the sale price, will you account for the other half?—A. I am very glad to. From the standpoint of profit in the retail business—the bottled milk and cream business—we would very gladly welcome all our sales in milk for two reasons: 38 per cent of the cream bottled is returned by our milk wagon salesmen and has to go back into butter; and 26 per cent of all the cream we sell is sold by means of special delivery.

Q. What do you mean by special delivery?—A. After a route man has serviced the route and the customers on that route want cream, it is then you receive your telephone calls for half pints or whipping cream, or quarter pints of table cream and so on.

By the Chairman:

Q. You are referring to Hamilton?—A. I am referring to the organization in general, although possibly in Hamilton it would be greater than 38 per cent, because in the smaller places like Guelph or Woodstock, we would not have that to such an extent. But that is the general reason we set up for charging the prices we do for cream. It is the cost, first of all, of the special deliveries; and in the second place it is the loss in the high returns of cream daily from our milk wagon routes.

By Mr. Bouchard:

Q. Do you think it is fair to make the regular buyers of cream bear the cost for the special delivery?—A. It is true, it is one price.

Q. Yes, do you think it is fair for the regular consumer, your best customer, that he should bear the cost of special delivery to the capricious customer?—A. Understand me correctly, the person who buys that cream in quantity pays less than 50 cents a quart.

Q. He pays?—A. He pays less, when I say 50 cents a quart, that is in single quarts.

Q. Yes.—A. The man who purchases 4 quarts of cream buys it on the basis of $1.20 a gallon.

Q. That is not my point, what I wanted to make out is that a certain proportion of your cream is returned; another proportion, 26 per cent you said, goes out by special delivery.—A. Yes.

Q. Charged at the same price?—A. Yes.

Q. And the balance is sold straight sale to your regular consumers, do you think it is fair—I am questioning the fairness of it, but I don't know much about marketing conditions at all; but do you think it is fair to charge the regular customer, the one who will take one quart a day, we will say, regularly from your wagons—do you think it is fair to make him pay for the extra cost for special delivery?—A. I agree, there may be certain unfairness about it; but on the other hand it is a case of doing business and meeting the demand for increased service that the public demands to-day.

Q. Yes, the best customers are always penalized, they have to pay for this special service.—A. That is true in a great many lines of business to-day.

Q. Oh yes, it is true with groceries; but I think if it could be remedied it would be a good thing.

Mr. Pickel: He is paying for that service.

The Witness: It is the increased service that the public of to-day are demanding.

Mr. Bouchard: Yes.

By Mr. McGillis:

Q. Over 50 per cent then of your total cream would be returned?—A. 38 per cent.

Q. 38 per cent of the total?—A. Of the bottled cream—of the cream that we bottle.

By Mr. Tummon:

Q. Could you place on record, Mr. Duplan, the total amount in dollars of your sweet cream purchased for your Hamilton plant?—A. I possibly could arrive at it in a few minutes, I haven't it right before me.

Q. Will you do that?—A. I have it in terms of units, and it would take me only a few minutes to figure that out.

Q. What I would like to get is the figure in dollars and cents for your sweet cream purchases at the Hamilton plant, and your figures in dollars and cents for your sales during the same period.—A. Do you wish me to do that now, Mr. Tummon?

Q. Either now or before you leave the committee.

The CHAIRMAN: Do you need it to-day, Mr. Tummon?

Mr. TUMMON: No.

The CHAIRMAN: If you don't need to use it to-day, I would suggest that Mr. Duplan file it with the evidence he is to give us Tuesday morning. Do you segregate the profits on your different products, Mr. Duplan?

The WITNESS: We find that that is not by any means impossible, but the cost involved is so great—it can be done, but we don't follow that procedure.

By Mr. Tummon:

Q. Could you furnish it for any one of your companies, for instance like the Burke plant at Hamilton?—A. I can arrive at it from the figures we have. I have the units, and the price per unit.

The CHAIRMAN: The reason I was asking that is, you say you would rather not have any cream sales at all. I had in mind evidence we had here from the city of Montreal of a company which made $22,000 on their total transactions in milk, and made $132,000 in tenths on cream. Their profits on cream were entirely out of proportion to their profits on milk when you consider the bulk that is involved.

The WITNESS: Yes, of course it is quite probable that they are handling a good deal of that milk in bulk form—sale to hotels, cafes and restaurants; and, of course, that is a profitable business. But I had reference to the table cream that you sell, the percentage of returns and special deliveries; and my statement was that we would prefer to have that cream in terms of milk business rather than in terms of cream.

By the Chairman:

Q. I thought I understood you to say a moment ago that a good proportion of your cream was in bulk sales?—A. Do you mean from Hamilton or Woodstock?

Q. I don't know which.—A. Well, Woodstock cream is all in bulk.

Q. That is, from your central plants where it is manufactured, but your retail sales— —A. The relationship between them is this—I can give you that.

Q. Not accurately, just approximately?—A. Well, it is the relationship of 200,000 to 2,250,000 or about 10 per cent.

By Mr. Pickel:

Q. Do you buy any sweet cream, Mr. Duplan?—A. Oh, occasionally; just at those periods of low production we possibly buy a few cans but we have enough within our organization to take care of those requirements.

Q. Is your cream homogenized?—A. The cereal cream is homogenized, but not the whipping cream or the table cream.

Q. Do you make ice-cream?—A. Yes, sir.

Q. What is the cost per gallon?—A. The ice-cream mix?

By Mr. Bouchard:

Q. Before you pass to that, would you mind if I ask a question. Assume that I am a consumer, one of your customers; instead of buying cereal cream at 10 per cent I buy one quart of milk at 10 cents, and I buy half a pint of 35 per cent cream which I add to my milk; I suppose I would have the 10 per cent cream with that. I think the cereal cream is probably the dearest, instead of buying that the consumer might buy just milk and a little portion of your richest cream, enough to bring it up to 10 per cent cereal cream—after all, cream is nothing else than milk which is richer than the ordinary milk, that is all; it is richer in fat content?—A. For example, if you bought milk—we will say certified milk or jersey milk.

Q. Yes.—A. I understand your question, you pay 15 cents a quart for it.

Q. Yes.—A. You would be able to get from the top of that bottle approximately a quarter of a pint of cream, and that cream would test—on 5 per cent milk—somewhere in the neighbourhood of 24 or 25 per cent. Now, then, you pay for a quarter of a pint. It depends upon what value you put on the balance of that milk.

Q. You take your 35 per cent cream and retail it at 75 cents, but on this basis your 10 per cent cream would be sold for $1.05?—A. That is in relation to butterfat?

Q. Yes. The difference between both accounts for three quarts of milk. So that a man would be better off to buy 3 quarts of milk and 1 quart of 35 per cent cream and make 4 quarts of 10 per cent cream?—A. I quite follow you in your reasoning. I say it would be quite sound. It is whatever value you put on the balance of the milk. I think that the average housewife to-day probably will purchase a high testing milk and she removes part of the cream and uses it for coffee, and the balance of that milk is used for cooking purposes. If it is for food for children, obviously she does not take the cream off. It is mixed back into the milk. It will depend upon the purpose you are going to use the bottle of milk for.

Q. I mentioned that, because I am sure if the consumer knew what he is buying that perhaps you would sell less cereal cream because it is the dearest cream?—A. For years there were only two qualities of milk on the market—what was known as table cream and whipping cream—anywhere from 22 per cent, depending on the by-laws in the various municipalities, to 25 per cent, and whipping cream 32 per cent to 36 per cent.

Q. I am surprised that a by-law would authorize the name of cream for this 10 per cent stuff which is—

The CHAIRMAN: Half and half.

Mr. BOUCHARD: Half milk and half cream; and not even that, because cream has a meaning. It is very deceiving.

The WITNESS: In many municipalities you are not permitted to call 10 per cent cream, cream. That is why it has the name of "breakfast treat" or "cereal treat." Take, for example, the city of Stratford. They have a by-law that no cream can be sold less than 25 per cent and be marked cream.

Mr. BOUCHARD: That is very wise.

The WITNESS: And many municipalities have that.

By Mr. Pickel:

Q. Mr. Duplan, would the lay mind be able to tell the difference between 10 per cent homogenized cream and 24 per cent natural cream?—A. In many cases, no. Homogenization thickens or increases the texture of cream.

Q. What is the cost of your ice-cream?—A. When you say the cost of ice-cream, doctor, do you mean the finished product or handed to the grocer for dispensing?

Q. Yes.—A. And do you wish to include electric refrigeration and costs?

Q. I mean the cost of the ice-cream when it is ready for sale?—A. Delivered at the place of sale?

Q. Yes.—A. And including electrical refrigeration?

By the Chairman:

Q. What do you mean by including electrical refrigeration; do you furnish the plant?—A. Yes. For refrigeration purposes.

Q. That all enters into it. The Silverwood's Dairies, as I understand it, furnish the plant in the store that keeps the ice-cream; the refrigerator in the store belongs to Silverwood's.

By Mr. Pickel:

Q. No, I want to know the cost of an ordinary ice-cream mixture—the ingredients that enter into it, roughly, approximately speaking?—A. I can give it to you, sir, as long as I am clear on your question. I am not clear whether you are speaking of ice-cream mix or whether you are speaking of the finished product as it is served to the public.

Q. I mean the frozen product?—A. Exclusive of transportation and electric cabinet service?

Q. Yes.—A. Sure. I will give it to you on vanilla ice cream, because that is cheaper than the flavours. I will give it to you this way, and by deduction I can arrive at it for you. The average sale of our ice cream was $1·442 per gallon for the year. The profit on that ice cream was, before sales tax—

By Mr. Bouchard:

Q. How much butterfat is there in a gallon?—A. We make two grades—a 13 per cent and a 20 per cent. The 20 per cent is very small in volume. It would be $1.33, and that includes electric cabinet expense. I am giving you this figure as approximately correct. It is approximately 22 cents. It includes transportation of 15 cents. That is 37. 37 cents from $1.33 is 96 cents.

By Mr. Pickel:

Q. That is the actual cost?—A. I am giving you the deduction on the selling price, less the profit, less the cost of refrigeration and less transportation. That is the way you asked the question. 96 cents net for the frozen product.

By the Chairman:

Q. At your factory?—A. At our factory.

By Mr. Pickel:

Q. If you were told that a manufacturer of ice cream said that he could produce the product, 12 per cent cream ice cream, for 37½ cents, you would not believe him?—A. Well, now, don't misunderstand me. This includes in the gallonage all types of ice cream,—package ice cream.

Q. That is in packages?

The CHAIRMAN: Bricks.

The WITNESS: Bricks and small pies and little dixie cups and all the rest of it. That is the net as shown on those figures.

By Mr. Pickel:

Q. What is done with the residue of the milk after the separating at your creamery plant?—A. Which plant? It is made into skim powder.

Q. What is the profit on that; is anything made out of it?—A. Very small at the present time. I can give you that figure.

Mr. BOUCHARD: If it were big you would have competition.

The CHAIRMAN: You can give the price per 100 pounds?

The WITNESS: I can give that. Of course, our figure may be slightly higher than some of our competitors because our production is small. We do not manufacture at all comparably with some of these larger people. It is more or less a secondary consideration.

By Mr. Pickel:

Q. What quantity do you manufacture?—A. We manufactured last year 3,634 barrels. A barrel contains 200 pounds. According to the figures of our analysis department our cost on that product was 5·8 cents, and sale 6·1. That leaves us a profit of ·23.

Q. Have you any idea what your profit is on buttermilk?—A. Powdered buttermilk, or condensed?

Q. As you use it fresh?—A. Bottled with the cap on and ready for delivery?

Q. Do you calculate paying the producer anything for buttermilk?—A. Very little. On the other hand, buttermilk is generally sold for from 5 to 7 cents a quart, and the cost of that—as regards the bottling and capping and delivery and plant costs and so on, we have never felt that we have made any profit on buttermilk.

By Mr. Bouchard:

Q. What proportion of the fat is left?—A. In buttermilk?

Q. Yes.—A. It is supposed to be less than 1 per cent if your equipment is working properly; but I appreciate what you have in mind—you are speaking of cultured buttermilk, professor, where possibly half skimmed milk and half whole milk is used.

Mr. BOUCHARD: Yes.

The WITNESS: It is churned buttermilk I am speaking of. I do not wish you to be confused on those two points.

Mr. BOUCHARD: You take out all you can.

Mr. BOYES: The question that Mr. Pickel asked you a while ago was not made very clear; that is the actual cost of a gallon of ice cream in bulk. I think think that is what he meant, instead of having it in pies and bricks and so on. I think he meant the actual cost of a gallon of ice cream.

Mr. PICKEL: That is what I would like, if you can get at that.

The WITNESS: I can give it to you approximately if you will accept it. I would say between 65 cents and 70 cents a gallon, depending on our—

Mr. BOUCHARD: Do you mean 12 per cent?

The WITNESS: No. 13 per cent.

By Mr. Spotton:

Q. When you handed in the list of salaries, to the Chairman, which no doubt will be spread on the records, is there any additional amount given to officers—a lump sum for expenses?—A. No, sir.

Q. The expenses are just turned in?—A. I am very glad to present the list.

Q. No. I am not asking for the expenses; but in some cases we had where a salary of $5,000 was given and a donation to the men who apparently would not have to leave the city of Montreal at all, and they were given travelling allowance of $4,500. You have no lump sums like that given?—A. As far as we are concerned, our policy, in Mr. Silverwood's case down, we have a regular form of travelling expense report which is segregated by days and by expense as to hotel rooms, meals, railway fares and so on. That is segregated and totalled and is approved for each trip, and the only allowance that any officer or travelling executive of our company receives is in the form of a car allowance, and they are allowed 6 cents a mile.

Q. When they own their own car?—A. When they own their own car. Now, in a few cases where it is very difficult, I speak of probably—this includes some of our managers and some of the executives of the company, where it is difficult to arrive at the mileage, a definite amount is given which is approximately $300 a year, or $25 a month for the use of the car on company business.

Q. Another point. We as a committee realize, I think, that the consumer demands service, and, of course, have to pay for that service. Did you mean to say that after your waggons are in from the routes and if Mrs. Jones who lives two miles from your plant in Hamilton phones in in the afternoon for a pint of cream, that you will deliver that to her?—A. Yes, sir.

Q. You do.

Mr. Pickel: And the farmer pays for it.

Mr. Bouchard: The consumers and the farmers, yes.

Mr. Pickel: The producers pay for it.

Mr. Bouchard: That is the unfortunate side.

Mr. Pickel: It is all passed back on the producer.

By Mr. Bouchard:

Q. They will have to pay for this?—A. Might I ask the doctor: if we refused to deliver that pint of cream how long it would be before the other fellow would do so?

Mr. Pickel: I understand; but you admit that the producer—A. I admit—

Mr. Pickel: —that the producer is not getting enough. Do you think he is getting a living price for his milk?

Witness: In many cities, no. I would say in the city of London where the producer is paid a dollar that it is absurdly low.

By Mr. Tummon:

Q. You have several plants which are buying fluid milk. I was wondering if it would be possible—and it would be interesting to the committee, and it would be information that would be valuable to the committee—for you to undertake to file with the committee the different plants where you buy fluid milk and the prices that you pay both for the association price where there are association prices and your surplus price?

Mr. Bertrand: And manufacturing price.

The Chairman: Both for manufacturing and for sales of fluid milk.—A. Please do not confuse manufacturing, because manufacturing is a separate department, in practically each case a separate plant.

By Mr. Tummon:

Q. I understand it is absolutely separate from your fluid milk business, as an example your Dry Milk plant and such like. At those factories where you pay two prices or more, will you furnish us with a list, such as Toronto and Hamilton. Some of your plants, I presume, do not buy milk for fluid delivery at all.—A. We have certain plants which manufacture butter only.

By the Chairman:

Q. Where you just bring in cream?—A. For example, at our Cargill plant we simply buy churned cream from the producer and it is made into butter. That is the only operation in that plant.

Q. What about Cayuga?—A. It is the same.

By Mr. Tummon:

Q. That plant is absolutely in the same position os other small creameries, I suppose?—A. Yes, absolutely.

Q. I did not quite understand that question of 3·65 or 3·67 milk that you mentioned a little earlier in the day. I do not just get it through my mind how you bring your milk up or down, if your average for the day is only 3·6 I do not understand how you get it back to that.

By Mr. Pickel:

Q. You are on the lake shore, are you not?

By Mr. Tummon:

Q. Have you not some daily milk reports, Mr. Duplan?—A. We have our daily receipts; but you understand, Mr. Tummon, in accordance with the government regulations, we take a composite sample out of each producer's milk each day, and that is taken for 14 days from that collection a composite sample is taken, a sample which is tested according to government instructions.

Q. Supposing you bring in a quantity of milk, and it comes from different producers, and it eventually all goes into a vat containing 2,400 pounds, we will say. If you take a sample out of the vat and you find it tests 4 per cent, and you are going to deliver 3·65 or 3·67 milk, how do you get it back to that?—A. I am quite prepared to say that the fluctuations will be from possibly 3·55 to 3·75, and you men know there are no herds to-day producing milk that will produce the same butterfat day in and day out. Probably to-day it would be 3·7 and tomorrow 3·5 and the next day 3·6 and so on. Our milk receivers in our plant are educated to the point where they take the milk of that average, and that goes to the bottling plant. In other words, after they have done it day in and day out, they can arrange that the milk that goes into that vat is on the basis of somewhere between 3·55 and 3·75. Now, that is quite a variation when you stop to consider.

Q. Have you not some daily milk reports in your factories?—A. Not that would show the butterfat. We have our vat tests, of course. Every day our vats are tested before the milk is bottled.

Q. You have those all in the factory?—A. They are retained in the factory, oh, probably anywhere from 3 to 7 days. They are not of much value after the milk has been bottled and sold.

By Mr. Bouchard:

Q. Does it vary much with the seasons?—A. It does vary. As dairymen know, cold weather conditions often at times will affect butterfat to the extent of 2 per cent. That is, ·2.

By Mr. Tummon:

Q. Can you furnish copies of those reports to the committee, for the committee's information, for the week ending 11th February?—A. From any one plant?

Q. From your Hamilton plant.—A. I presume Mr. Ball can do that for you.

Q. The daily milk reports.—A. Do you wish the name of the producer, the amount of milk he shipped and the days?

Q. No. I imagine there must be some superintendent over the place where those vats are, who makes a daily milk report.—A. Quite true.

Q. And that report is filed each day.—A. Of the finished product, the milk that is bottled out of that vat and one bottle is picked out, or two, and we make a check to make certain that the fat content checks with the vat.

By Mr. Taylor:

Q. With regard to the Woodstock plant, I happen to be a producer of milk and selling it to a butter factory—not Silverwood's—and I understood you were buying at the Woodstock plant at an average price of 84 and a fraction cents per hundred.—A. 84·9.

Q. From that milk you separate the cream?—A. Yes, sir.

Q. And you sold it to your subsidiary plants at about 31 cents?—A. That is the present price. It has been sold as low as 28½ cents, which was the low point this year, I believe.

Q. Taking 3·4 milk, I was just figuring in my head that 30 cents would be $1.02 per hundred for sweet cream that you would get from that milk, and then you would powder your skim milk, and from the evidence we had yesterday you would get about 8½ pounds of powder from 100 pounds of skim milk.—A. Our production for March was 8·13 sir.

Q. What price would you be receiving for that powder?—A. I gave that information. The average sales, sir, were 6·12 and the cost 5·87, leaving us a profit of ·25, or aproximately a quarter of a cent.

Q. On the powder, and you would still have your sweet cream from that milk which would more than pay for the milk?—A. Yes. Of course, we are entitled to at least some reasonable consideration for indirect expenses or overhead.

Q. I quite understand. Of course, the expenses of handling that milk does not compare with your delivery in the city?—A. Oh, no.

By the Chairman:

Q. I should like to ask you a question on that line. I understand Mr. Duplan to say that the average profit on a quart of milk was ·37.—A. In Hamilton.

Q. You made a statement this morning—I suppose that was on the whole concern—on the basis of 10 cent milk that you made 50 cents.—A. We were discussing the basis of the—that was the deduction made this morning in my answering Mr. Bowman's question, which was approximately—

Q. I quite understand that, but what I wanted to get was this: are you making more profit out of your other lines of business than you are out of fluid milk?—A. No.

By Mr. Bouchard:

Q. Not even on the cream?—A. Well, the cream is a small part.

Q. It is not so small; when you say 2 per cent in volume, it means a lot of milk.—A. Permit me to answer the Chairman's question by saying there are other plants more profitable in Hamilton. The average for the organization is ·496, so that bears out the statement at practically what was said.

By the Chairman:

Q. The average?—A. Of all plants.

Q. For fluid milk?—A. Fluid milk.

Q. I understood you to say your total profit on all classes of production was approximately ·50?—A. 5 per cent, about 5 cents, 5 per cent.

Q. On the basis of 10 cent milk?—A. Mr. Bowman in his discussion implied it; but this is what we said this morning. We have a volume here of $6,600,000 in business on which we made a net profit of $300,000 or slightly less than 5 per cent.

Q. What did you say about the basis of 10 cent milk?—A. I said if we applied that to 10 cent milk, this 5 cents would be one-half cent a quart.

Q. That is really ·50?—A. ·50; but it happens to be ·49 for the whole organization, so the figure is not far out.

By Mr. Pickel:

Q. What do you pay, Mr. Duplan, in your Cargill plant?—A. We do not buy milk; we buy churned cream.

Q. You just buy the cream?—A. We just buy the sour cream on the butter-fat basis.

Q. There is another point I should like to bring up. The standard for milk in Hamilton is 3·25?—A. According to the government regulations, 3·25.

Q. Now, your standard purchase is 3·6.—A. That is our composite test, yes.

Q. Why do you establish that high standard?—A. Because of competition.

Q. That is the highest we have heard in any place yet. They all buy on the 3·5 standard. You are getting 4 cents— —A. Our standard was until about 2 years ago, around 3·5 for the entire organization. Any place we operated we sold milk at 3·5, set that as a definite policy for the company wherever we operated.

Q. 3·6?—A. 3·5. But due to competition—

Q. Another thing which you asked the producer to pay for?—A. We pay 4 cents a pound for additional fat.

Q. You get 3·6 instead of 3·5?—A. Yes, but we pay them of course. We are paying 4 cents additional.

Q. Above 3·5?—A. Above 3·4. If a man delivers to us 4 per cent milk, he gets 6 points at 4 cents, which is 24 cents a hundred more for his milk.

Q. I understood you to say that the basis that you worked on was 3·6 milk.

Mr. Bouchard: To sell.

The Witness: To sell.

By the Chairman:

Q. I think Dr. Pickel has some ground for his argument there. The higher the quality of milk you sell, the better product the consumer is getting, and if the extra value is given, it has to come out of the farmer in the end.—A. We pay 4 cents a point and as the doctor says, there is no doubt about it, the producer bears his portion.

By Mr. Bouchard:

Q. Do you sell homogenized milk?—A. Yes.

Q. Do you homogenize all your milk?—A. No.

Q. A friend told me that the maid is not taking the cream out of the milk now.—A. Someone says the boarder gets up at six in the morning, and he gets the first glass, that is why we get homogenized milk.

By Mr. Spotton:

Q. Mr. Duplan, it is not a large item with you or Borden's, but this surplus business seems to be a mysterious thing. It works fearfully and in a wonderful manner in some cities, and makes a lot of bad feeling between the producer

and distributor. Don't you think it would be possible for the distributor to stand on his own feet like any other business man and buy a certain amount of milk each day from each farmer outright, at association prices, if you like, and you take your chance whether you are able to supply your customers, or do what you like with your surplus, and let the farmer keep some of his milk at home. That would assist the community round about who have creameries and cheese factories of their own, and it would not drain the surrounding country of such a lot of milk, which is brought in and manufactured in the city. It would also help the farmer out that could not send his milk to the city, don't you think? Don't you think that the dairy farms could do away with this surplus milk business?—A. Our attitude is that a definite daily base be given to each producer of milk, and that that definitely sets for him his amount on which he knows, when he receives his cheque, he will be remunerated for on the basis of the price as arranged.

By the Chairman:

Q. If he does not exceed that base, he gets no surplus, is that the idea?—A. If he does not exceed the base, he has no surplus.

By Mr. Spotton:

Q. But he persists in sending in the surplus?—A. Well, it is optional; if he does, we handle it to the best advantage.

By the Chairman:

Q. You said that conditions were not good in Hamilton in respect to the competition that is being set up by the smaller organizations and by people who are price cutting both to the consumer and to the farmer; I think you made that statement?—A. Yes. In many cities that is true.

Q. Have you any suggestions to offer whereby such a condition could be eliminated; it seems to me that that is quite a general condition, and that is one of the worst phases of the situation as I see it.—A. Well, as long as distributors can produce milk below the regulation price, we will have price cutting in the bottle milk business.

Q. Well, do you advocate a system of keeping the distribution of milk out of the hands of certain companies; how would you set about to eliminate that price cutting?—A. We would not be in favour of certain companies controlling the milk situation, the distribution; but our feeling is that the price to the distributor for city distribution should be controlled.

Mr. Pickel: To prevent overlapping, you mean?

By Mr. Boyes:

Q. As a public utility; is that a good plan?—A. It possibly has some merit. My answer, Mr. Boyes, is this, that if all the distributors in the city of London were called upon to pay $1.40 for their milk, we would not be selling, in the city of London, seven cent milk.

Q. Some selling at five?—A. We have milk to-day being sold at five cents because it is purchased at eighty.

By the Chairman:

Q. Do they do that to make a profit?—A. I am not in a position to say whether or not it is profitable, but I am in a position to say it is being done. Mr. Boyes, I know, is in a position to verify that statement.

Mr. Boyes: I saw an item in the paper where one man said that he was selling milk at five cents a quart.

Mr. SPOTTON: That is London?

Mr. BOYES: In London.

By Mr. Pickel:

Q. Your company is not a producing association?—A. No, we do no farming.

Q. You are lucky?—A. That is one good fortune of ours.

Mr. TAYLOR: With regard to Mr. Spotton's question in regard to surplus milk, he said they persisted in sending it in. By your statement this morning, I understood you are paying more for that surplus milk in Hamilton than you are paying for the milk at the Woodstock plant, are you not?

Mr. BOUCHARD: At the Woodstock creamery.

Mr. TAYLOR: No, the Woodstock butter factory where they are taking the milk in.

Mr. BOUCHARD: Oh, yes; that is the creamery.

The WITNESS: There is a slight difference. Of course, there is no relationship between the price of surplus milk and the price paid at Oxford, Woodstock, two different relationships altogether; one is made into cream and this skim powdered; and the other one is fluid. I might say, as far as cream is concerned, that our manager at Hamilton—I am quite satisfied that he would have raised this point if he had been a witness—that in the main he pays more to the Woodstock plant than you can go out on the open market and buy sweet cream.

By the Chairman:

Q. That may inure to the benefit of the plant rather than to the farmer, though.—A. But the farmer of course is getting the benefits of the net price.

By Mr. Spotton:

Q. Mr. Duplan, is it so that in London since the producer-distributor, the farmers themselves have been going in and selling direct to the consumer, that that has meant a cut in the price to the consumers of London as low as five cents, and consequently has reacted on the producer sending his milk to a dairy such as yours?—A. Our record shows that on March 1, 1932, the price of milk that the farmer was receiving—may I go back first a year previous to that?

Q. Yes.—A. I will give you as much history as I have here; on January 8, 1931, the price in London was nine cents a quart, and the farmer was receiving $1.35; the price continued for the year, and early in 1932 was reduced to five cents, and the producer received 85 cents. Then on April 26, 1932, the price was adjusted to seven cents, and the producer received one dollar. Prior to 1931 there were very few—I am not in a position to say how many—but there were very few producing distributors distributing milk directly to the consumer in London. But if the information I have received is correct, there are now in the neighbourhood of thirty-three producing distributors.

Q. In the city of London?—A. In the city of London, and the cost to the farmer is that he is getting one dollar to-day instead of $1.35.

Q. Does that mean that thirty-three farmers are distributing their milk direct, or does that represent thirty-three farmers' associations, or groups?—A. No. The information, as I received it from the health department, is that they had issued licences to thirty-three farmers who deliver their milk direct from the farm to the consumer.

By Mr. Bouchard:

Q. Without pasteurizing?—A. Either pasteurized or unpasteurized.

Q. Either?—A. Yes.

By Mr. Boyes:

Q. If unpasteurized, it must be from certified herds?—A. From accredited herds.

By Mr. Pickel:

Q. What are you selling milk for in London?—A. Seven cents.

Q. What are you paying the farmer?—A. One dollar.

By Mr. Spotton:

Q. That is in London?—A. That is in London. That is the lowest price that we have anything to do with in the organization.

Q. Have the chain stores been a factor in London?—A. Very little.

Q. In the breaking down of the price of milk?—A. Very little, Mr. Spotton.

Q. They don't give a quart of milk away with a loaf of bread, like they do in Montreal?—A. No.

The CHAIRMAN: Well, gentlemen, I think that the questioning is becoming more or less casual. Are you satisfied to dismiss the witness?

Carried.

The CHAIRMAN: Very well, Mr. Duplan, thank you very much.

The committee adjourned at 5 p.m., to meet at the call of the Chair.

APPENDIX " B "

SILVERWOOD'S DAIRIES, LIMITED, INCORPORATED JUNE 14, 1928

SUMMARY SHOWING DATES OF INCORPORATION AND DATES OF ACQUISITION OF SUBSIDIARY COMPANIES

Company	Date of Incorporation under Ontario Companies Act	Date of Acquisition by Silverwood's Dairies, Ltd.
Silverwood's, Ltd., London, Ont.	February 9, 1931 (re-organized)	July 1, 1928.
Silverwood's Storage, Ltd., London, Ont.	May 1, 1922	Subsidiary company of Silverwood's, Ltd.
London Cold Storage Co., Ltd	January 1, 1928	May 28, 1932.
Silverwood's, Windsor	February 18, 1925	July 1, 1928.
Silverwood's, Elmira Creameries, Ltd	March 14, 1927	Oct. 1, 1928.
Elmira Creamery Co., Ltd	March 14, 1927	Subsidiary company of Silverwood's Elmira Creameries.
Silverwood's, Kitchener	May 31, 1927	Oct. 1, 1928.
" Lucknow	March 31, 1923	Oct. 1, 1928.
" St. Catharines	July 10, 1923	Oct. 1, 1928.
" Chatham	May 1, 1922	April 1, 1929.
" Sarnia	May 6, 1926	April 1, 1929.
" Brantford	April 24, 1928	April 1, 1929.
Brant Creameries, Ltd	Dec. 24, 1920	Subsidiary company of Silverwood's Brantford Dairy, Ltd.
Silverwood-Burke Dairy, Ltd., Hamilton	March 26, 1928	April 1, 1929.
Silverwood's Peterboro Dairy, Ltd	Feb. 13, 1930	March 22, 1930.
" Stratford	April 19, 1928	March 22, 1930.
" Woodstock	Feb. 18, 1930	March 22, 1930.
" Toronto	May 26, 1928	April 5, 1930.
" Forest	July 29, 1927	April 5, 1930.
" Guelph	May 11, 1928	April 5, 1930.
" Oxford	May 22, 1928	April 5, 1930.
" North Bay	Feb. 25, 1930	April 6, 1931.
" Sudbury	Dec. 29, 1930	Subsidiary company of Silverwood's North Bay Dairy, Ltd.
" Cargill	May 14, 1927	Aug. 30, 1932.
" Cayuga	March 8, 1928	Aug. 30, 1932.
" Milk Products	Sept. 27, 1928	June 24, 1932.

SILVERWOOD'S DAIRIES, LIMITED AND TWENTY-FIVE SUBSIDIARIES CONSOLIDATED BALANCE SHEET WITH CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT AND CONSOLIDATED SURPLUS ACCOUNT AS AT APRIL 2, 1932

Subsidiary Companies Included in Attached Consolidated Balance Sheet

Silverwood's Dairies Limited, London.
Silverwood's Limited, London.
Silverwood's Storage Limited, London.
London Cold Storage Company Limited, London.
Silverwood's Windsor Dairy Limited, Windsor.
Silverwood's Elmira Creameries Limited, Elmira.
Elmira Creamery Company Limited, Elmira.
Silverwood's Kitchener Dairy Limited, Kitchener.
Silverwood's Lucknow Creamery Limited, Lucknow.
Silverwood's St. Catharines Dairy Limited, St. Catharines.
Silverwood's Chatham Dairies Limited, Chatham.
Silverwood's Sarnia Dairy Limited, Sarnia.
St. Clair Ice Cream Company Limited, Sarnia.
Silverwood's Brantford Dairy Limited, Brantford.
Brant Creameries Limited, Brantford.
Silverwood's-Burke Dairy Limited, Hamilton.
Silverwood's Peterborough Dairy Limited, Peterborough.
Indian River Dairy Limited, Indian River.
Silverwood's Stratford Dairy Limited, Stratford.
Silverwood's Woodstock Dairy Limited, Woodstock.
Silverwood's Toronto Dairy Limited, Toronto.
Silverwood's Forest Produce Company Limited, Forest.
Silverwood's Guelph Dairy Limited, Guelph.
Silverwood's Oxford Dairy Limited, Woodstock.
Silverwood's North Bay Dairy Limited, North Bay.
Davie Brothers Ice Cream Limited, North Bay and Sudbury.

SILVERWOOD'S DAIRIES, LIMITED, AND 25 SUBSIDIARIES (List Attached) CONSOLIDATED BALANCE SHEET

as at April 2nd, 1932

Assets

Cash on hand and in transit	$ 4,814 57		
Cash in hands of buyers and branches	11,674 28		
Cash in bank	25,263 99		
		$ 41,752 84	
Notes receivable	$ 12,233 90		
Accounts receivable	262,129 32		
	$ 274,363 22		
Less: Reserve for bad debts	76,058 24		
		198,304 98	
Inventories—including stores and supplies		235,297 34	
Life insurance—Cash surrender value less loans on policies	$ 37,563 64		
Mortgages receivable	10,100 00		
Sundry investments	3,335 00		
		50,998 64	
			$ 526,353 80
Due from associated companies—less reserves			34,251 56
Capital—			
Assets—at replacement values as appraised by Sterling Appraisal Company, Limited, as at 27th September, 1930, with subsequent additions at cost:—			
Land		$ 285,494 50	
Buildings	$ 1,722,022 93		
Machinery and equipment	1,561,891 79		
Containers and other floating equipment	235,331 76		
Bottles in trade	22,376 89		
Iceless cabinets	897,702 70		
Trucks and automobiles	224,832 49		
Horses	44,121 52		
Wagons and stable equipment	112,169 63		
Office, store and branch equipment	86,318 46		
	$ 4,906,768 17		
Less: Reserve for depreciation	1,491,044 07		
		3,415,724 10	
			3,701,218 60

Assets—Concluded

Prepaid expense			$ 52,261 63
Milk routes, purchase and expansion of		$ 439,806 94	
Cream top bottle patent licence less written off		90,000 00	
Organization expenses, including discount on shares, less written off		39,229 17	
Cost of shares in certain subsidiary companies in excess of book value and later appraisal adjustments		452,993 67	
			1,022,029 78
			$ 5,336,115 37

Liabilities

Bank overdrafts (secured)		$ 15,357 06	
Bank loans (secured)		184,400 00	
Lien notes payable		49,163 50	
Notes payable		24,094 74	
Accounts payable and accrued charges (secured $16,449.86)		306,352 86	
Dividends payable		58,871 15	
Reserve for Dominion income taxes		49,011 09	
Bond and mortgage interest accrued		7,119 26	
			$ 694,369 66
Deferred lien notes payable		$ 9,802 12	
Deferred accounts payable		17,770 33	
			27,572 45
Mortgages payable		$ 171,700 00	
Bonds outstanding		238,650 00	
Amount owing on purchase agreements		257,055 25	
			667,405 25
Amounts received from employees and milk producers in class "A" stock subscriptions subject to return during period of stock plan at subscribers' option on discontinuance of connection with the company		$ 103,482 75	
Minority shareholders' interest in subsidiary companies		2,180 00	
			105,662 75
CAPITAL—			
Silverwood's Dairies, Limited:			
7% Cumulative redeemable convertible preference shares of $100 each—			
Authorized	$ 5,000,000 00		
Issued—33,325 shares		$ 3,332,500 00	
6% Cumulative redeemable convertible preference shares of $100 each—			
Authorized	$ 5,000,000 00		
Issued—Nil.			
Non-voting fully participating class "A" shares of no par value—			
Authorized—975,000 shares		507,245 00	
Issued or to be issued—147,765 shares			
Common shares of no par value—			
Authorized and issued—25,000 shares		1 00	
		$ 3,839,746 00	
Surplus (after applying $153,816 excess of net assets of certain subsidiaries over their purchase price)		1,359 26	
			$ 3,841,105 26
			$ 5,336,115 37

AUDITORS' CERTIFICATE

We have prepared the above Consolidated Balance Sheet of Silverwood's Dairies, Limited, and its twenty-five Subsidiaries (list attached) as at 2nd April, 1932. We have verified the balance sheets of Silverwood's Dairies, Limited, and five of its Subsidiaries (Silverwood's Limited, Silverwood's Kitchener Dairy Limited, Silverwood's St. Catharines Dairy Limited, Silverwood's Peterborough Dairy Limited, Silverwood's Toronto Dairy Limited), and we have also made a general examination of the balance sheets and supporting data of the other twenty Subsidiaries as prepared by the Company's Internal Audit Department. Your solicitors cannot without further examination certify that certain real estate is legally vested in the Subsidiary Companies. Subject to the foregoing, we report that in our opinion the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Silverwood's Dairies, Limited, and its twenty-five Subsidiary Companies as at 2nd April, 1932.

CLARKSON, GORDON, DILWORTH, GUILFOYLE & NASH,
Chartered Accountants.

Toronto, 26th July, 1932.

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT

For The Year Ending 2nd April, 1932

Sales, including inter-company sales		$ 6,640,721 95
Less: Cost of materials	$ 3,659,837 96	
Productive wages and direct expenses	1,722,309 32	
		5,382,147 28
Gross profit on sales		$ 1,258,574 67
Iceless cabinet rentals and other revenue		100,135 32
Gross trading profit		$ 1,358,709 99
Less: Administrative and indirect expenses		693,570 14
		$ 665,139 85
Less: Amortization of patent licence and organization expenses	$ 18,078 41	
Provision for depreciation	326,855 72	
Provision for Dominion Income Tax	20,165 94	
		365,100 07
Net profit		$ 300,039 78

CONSOLIDATED SURPLUS ACCOUNT

2nd April, 1932

Surplus at 4th April, 1931 (after applying $153,816 excess of net assets of certain subsidiaries over their purchase price)		$ 10,997 88
Net profit for the year ending 2nd April, 1932, after providing for depreciation and Dominion Income Tax		300,039 78
		$ 311,037 66
Less. Dividends:		
Four quarterly dividends on preference stock at the rate of 7 per cent per annum	$ 233,124 50	
Two quarterly dividends on class "A" stock of 25c. and 12½c. per share respectively	52,365 00	
Two quarterly dividends on common stock of 25c. and 12½c. per share respectively	9,375 00	
Dividends paid to minority shareholders by subsidiary companies	62 40	
Payments in lieu of dividends to employees and milk producers on subscriptions for class "A" stock	14,751 50	
		309,678 40
Surplus at 2nd April, 1932, carried to consolidated balance sheet		$ 1,359 26

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, MAY 1, 1933

No. 24

Reference,—Milk and Milk Products

WITNESSES:

Ontario Whole Milk Producers' Association, represented by W. G. Marritt, A. Hughes, J. B. Reynolds, and N. A. Fletcher.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Monday, May 1, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn in the Chair.

Members present: Messrs, Barber, Bertrand, Bowen, Gobeil, Hay, Loucks, McGillis, Moore, Mullins, Pickel, Porteous, Rowe, Senn, Swanson, Taylor, Tummon, Weese.

The question of calling further witnesses was mooted by the chairman but left in obeyance till next meeting when a more representative attendance was hoped for.

The Ontario Whole Milk Producers' Association, represented by W. G. Marritt, Secretary, Albert Hughes, President of the London Association, Dr. J. B. Reynolds, President of the Toronto Association and N. A. Fletcher a member of the Executive of the Hamilton Association, appeared, were severally sworn and examined and retired.

The meeting adjourned till Tuesday, May 2, at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 1, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m. Mr. Senn, presiding.

WILLIAM G. MARRITT, called and sworn.

By the Chairman:

Q. Will you give your full name and your position to the committee?—A. William G. Marritt, Toronto, secretary of the Ontario Whole Milk Producers' Association.

Q. Have you a statement to make?—A. Yes.

Q. You had better read your statement.—A. I might state in opening that our president, Mr. Clarke, regrets that he could not come here owing to a difficult situation in Toronto. He expected to be here but could not.

We wish, as representatives of the Ontario Milk Producers' Association, to discuss the milk trade situation in Ontario under the following headings:—

1. General situation in Ontario.
2. Names of Associations and number of farmers affiliated with the Association.
3. Prices in principal markets.
4. The importance of the dairy industry.
5. The effect of other than regular shippers seeking a place in the city market.
6. Milk production for city consumption—a specialist's job.
7. The attitude of the Producers' Association in reference to pasteurization.
8. The effect of sanitary inspection.
9. The effect of pedlars on the dairy industry.
10. The place of chain stores in the milk industry.
11. Dairies not paying producers.
12. Transportation a factor in milk costs.
13. Place of relief milk in the industry.
14. Surplus milk.
15. Recommendations for the stabilization of the industry.

1. *General Situation in Ontario.*

The Ontario Whole Milk Producers' Association came into being in 1932 and began to function as an active going concern in October last. During this six months period really remarkable success has attended its efforts in organizing producers supplying milk for direct human consumption and in securing the cooperation and support of local producers' organizations in the various cities and towns of the province. Its two main objectives are the stabilizing of the fluid milk market and securing for producers a price in keeping with the exacting conditions governing

the production of milk for that market. The need for a Provincial Organization is clearly shown by the co-operation and financial support received during the past few months.

During the last six months the Executive members of the Ontario Milk Producers' Association have visited the cities throughout Ontario to enlist the co-operation of the producers in each section.

The new Organization in the beginning was handicapped by assuming obligations incurred by the previous Association. The first six months have been an organization period. It is expected that during the next year it will be possible to stabilize conditions in the several markets. When the Association assumed the responsibility for the work, the price of milk was $1.45 in Toronto. This is the primary market for Ontario. The price which is set in Toronto affects the price throughout all Ontario and similarly the prices set in the secondary markets affect the price in the primary market of Toronto. Milk is brought into Toronto from twenty counties. The milk shed is one hundred miles West and one hundred miles East of the City of Toronto. This milk being transported to Toronto, the primary market in Ontario, and coming through the other markets of the province greatly affects the price of milk in the secondary markets.

The price of $1.45 in Toronto for 3·4 milk has been maintained with great difficulty during the last four months, owing to the fact that certain municipalities are demanding lower prices for milk for relief purposes. The dairies claim that they cannot supply this milk any cheaper without reducing the price to the farmer, who is the primary producer. The price in Toronto of $1.45 has been held, even though we have had at least one-ninth of the milk being brought into the city at from 15 cents to 20 cents below the Association price. This milk is coming from former cheese factory patrons and creamery patrons. The milk from these dairies is coming in competition with milk bought at Association prices.

In attaining the objectives of the Association, the co-operation and support of all city and town shippers, as well as maintaining cordial relations with all regular and legitimate distributors, is necessary. The distributor is as essential in the trade as is the producer. In other words the production of milk is one thing and the distribution of it to the consumer quite another. These two essential factors in the city and town milk trade must work in harmony to stabilize the market and secure for each his just due, always keeping in mind supply and demand and conditions generally in the production of milk and its products.

The consumer of milk is not being overlooked in the work the Association is endeavouring to do. A guaranteed supply of wholesome and safe milk is appreciated by the average consumer. The health of his family is, or should be, his first consideration in securing a daily milk supply. In addition to safety from a health standpoint, the value of milk as a food for growing children and for adults as well, is so transcendently high as compared with other household food necessities, as to place milk in a class by itself in this regard. For these and other reasons there has never been any general complaint from consumers that milk prices were too high, even a few years ago when the price of bottled milk was forty and fifty per cent higher than it is to-day. Consumption of milk was as large, if not larger, when prices were high than it is to-day with values the lowest for some time back. Moreover, the average consumer and commercial interests generally realize more to-day than ever before, that the farmer, whether his saleable products be milk or something else, must secure a fair return, if business is to survive and emerge

from the stagnation which characterizes it at present. The largest buyer in Canada of staple and manufactured commodities is the farmer. Increase his buying power, by producing conditions that will insure a greater return for what he has to sell and the general business of the country will benefit immensely.

In making a survey of the consuming public which are supplied by Ontario producers, we find in cities and towns over 6,000 people, we have a total population of 1,800,000. If we were to take in urban centres in Ontario, it would not be far from 2,000,000 people.

2. *Names of Associations and Number of Farmers Affiliated with the Association*

The following are the cities which have affiliated with the Ontario Association:—

Association	No. of farmers
1. Toronto	3,700
2. Oshawa	100
3. St. Catharines	125
4. Guelph	115
5. Stratford	60
6. London	260
7. Hamilton	770
8. Niagara Falls	120
9. Peterborough	120
10. Brantford	115
11. Woodstock	35
12. Welland	60
13. Ottawa	450
14. Kingston	90
15. St. Thomas	75
16. Lindsay	30
	6,225

There are larger centres which when affiliated will bring the total up to practically 8,000 farmers.

3. *Prices in Principal Markets in March*

	Price per 100 for 3.4 milk	Delivered to homes Quarts	Delivered to homes Pints	Relief Quarts	Relief Pints
Guelph	1.50	10	5	10	5
Barrie	1.60	10	6	10	6
St. Catharines	1.60	10	6	8½	5
Toronto	1.45	10	6	9	5.4
Hamilton	1.45	10	6	8	4
Relief and wholesale	1.20				
Waterloo and Kitchener	1.45	9	5	9	5
Oshawa	1.45	10	6	9	5
Welland	1.45	9	5½	7	4
Niagara Falls	1.45	10	6	9	5.4
Ottawa—					
At farm	1.40	10	6		
Wholesale	1.20				
Peterborough	1.20	9	5	7	
Woodstock	1.15	8	5	7	4
Brantford	1.10	8	4	8	4
Aurora and Newmarket	1.05	10	6		
London	1.00	7	4	6½	4

4. *The Importance of the Dairy Industry*

Milk is the most important farm product in Ontario, having a valuation of $62,000,000, not taking into account the milk consumed and utilized on farms. The great bulk of this milk goes into the manufacturing of cheese, butter, condensery and milk powder products. The amount of milk used for fluid purposes in Ontario is 20 per cent. Upon the price which these manufactured dairy products sell for depends in a large measure the price obtainable for milk for human consumption. Any development in world trade or something else that will enhance the value of manufactured dairy products, will bring about a corresponding increase in the value of fluid milk. Our main exportable product in the dairy field is cheese.

5. *The effect of other than Regular Shippers seeking a place in the City Market*

Because of the very low price the past year or two for manufactured dairy products, there has been a flood of milk seeking an outlet in the city and town milk trade. The nominally higher prices in the fluid milk market have been the inducement. Taking into account present prices for fluid milk, cost of delivery to distributors' plants, frequent "holdbacks" and the extra expense the producer is up against in complying with health regulations and the like, the net return to the producer is very little, if any, above what has been obtainable for milk for manufacturing purposes. There are no "holdbacks" in the manufacturing end of dairying.

6. *Milk Production for City Consumption—a Specialist's job*

Producing milk for direct human consumption is a specialist's job. Regularity in quantity and quality of supply must be observed. The daily quota must be forwarded every day of the week independent of weather conditions. Up to date sanitary equipment for producing and handling milk is essential. The milk must go forward at the same low temperature daily. It must be wholesome, clean and sweet. The cows producing such milk must be clean and healthy also. Any deviation from regularity in quantity and quality may cost the producer his market.

It costs more to produce milk for the city and town milk trade than for any other market. The dairy herd must be maintained at a regular production level. Cows must be obtainable by purchase or otherwise to fill up vacancies in the herd on short notice. Cows must be fed winter and summer to maintain production at an even keel. Feed must be purchased, if needed, independent of cost. Cost of production depends largely upon the producing capacity of the individual cows in the herd. Even a superior dairy herd cannot make milk production for city consumption pay at the present prices. The cost of production, which has been estimated by a number of producers in our district, show that producers are losing money on every pound of milk sold at the present time. the cost of production worked out by a number of farmers showed that the cost was from $1.75 to $2.40 per hundred.

I am filing one statement from one of our farmers in regard to production on 100 acres of land showing the cost of production.

By Mr. Pickel:

Q. Is that the cost of production?—A. Yes, of $2.35.

Producing 500 pounds milk per day.

Take 25 head cows, bull and heifers.

16 pounds chop—350 pounds chop per day..	$ 3 50
30 pounds ensilage—700 pounds ensilage at $3.50 ton..	1 25
16 pounds hay—700 pounds hay at $6 a ton..	2 10
150 pounds straw bedding at $4..	30
Two men—full time..	2 00
Board of men..	1 60
Use of barn, cans, milk pails, forks, wells, salt, electricity, pumping water for cows and cooling milk, lighting barn, insurance, telephone, veterinary, gasoline and travelling expenses, etc..	1 00
	$11 75
Cost of producing 100 pounds..	$ 2 35

Q. Those figures represent the producers' end of it; that is delivery at the plant?—A. Yes, delivery at the plant.

Q. That is transportation and everything?—A. Yes.

7. *The Attitude of the Producers' Association in Reference to Parteurization*

Maintaining the fluid milk trade and enlarging that market depends upon guaranteeing a safe and wholesome milk supply. There is only one absolutely sure way of guaranteeing this—proper pasteurization. Halfway measures, such as freedom from tuberculosis in cows, very good as far as they go, are advocated as filling the bill. An absolutely safe milk for human consumption cannot be guaranteed by any halfway measures. Proper pasteurization is the only known and sure method. The surety of this method has been so long established and proven that it is surprising to learn of its efficiency being questioned. The City of Toronto supplies a striking example of what has been accomplished by proper pasteurization of milk. Since compulsory pasteurization of milk sold for human consumption was adopted nearly twenty years ago, there has not been an outbreak of contagious diseases traceable to the milk supply. All milk sold in the city must be pasteurized, excepting guaranteed certified milk. Moreover, Toronto's efficient Health Department maintains a close check-up on pasteurizing methods in dairies. Facilities for pasteurizing milk are so perfected that temperatures can be kept under perfect control and inspectors, by means of thermostats to which they only have access can check up with exactness. In Ontario any municipality can adopt a by-law making compulsory the pasteurization of milk for human consumption within its borders. All the leading dairies, where there is no such by-law in force, pasteurize milk for the benefit of their customers and to extend trade. So far as our information goes all such dairies properly pasteurize milk and thus guarantee its safety from a health standpoint. There have been cases, however, where no compulsory by-law is in force and no proper inspection, where infectious disease has spread through drinking so-called pasteurized milk. This has brought pasteurization into disrepute to some extent, when the fault lay in improper pasteurization methods and no check-up. Proper pasteurization prevents the spread of contagious diseases through milk—bovine tuberculosis, typhoid fever, scarlet fever, undulent fever, septic sore throat and the like. Raw milk under certain conditions is one of the best mediums known for propagating disease germs of all

kinds. Hence the need for sanitary stables, healthy cows, proper cooling and handling and on top of this, proper pasteurization to insure its safety for direct human consumption.

It may be asked why a producers' organization is so strongly behind the pasteurization of milk for human consumption. The reasons are obvious as we see them. A safe milk means a surer and larger market for the producer's product. Where compulsory pasteurization is in force, the regular milk shipper has a more reliable market and a better price. Moreover, dairies which pasteurize milk, where no compulsory pasteurization by-law is in force, co-operate with local producers' organization in maintaining agreed upon prices and stabilizing the market for milk. To such an extent is this true that dairy farmers producing milk for the city and town trade would greatly benefit and have a more reliable market, if legislation were enacted making is compulsory that all milk sold in Ontario, particularly in cities, for human consumption must be pasteurized.

The Ontario Milk Producers' Association, as an organization, favors pasteurization for cities, because in cities where there are pasteurization by-laws the farmers throughout those districts are getting an increased price for milk and also the producers are satisfied with the product as safer for human consumption and thus more milk will be sold. The following is a survey of the cities throughout Ontario comparing those having pasteurization and a number of those where there is no pasteurization by-law:

Average prices in 1932 for 3·4 milk

Pasteurization by-law in force		Not in force	
Toronto	$1 45	Ottawa	$1 24
Oshawa	1 45	Peterboro	1 20
St. Catharines	1 60	Stratford	1 15
Hamilton	1 45	London	1 15
		Kingston	1 20
Average price	$1 48	Average price	$1 18

8. *The Effect of Sanitary Inspection*

In most of the larger centres of population efficient Boards of Health are maintained and medical health officers are active in safeguarding the milk supply. In many of the smaller centres, however, health regulations are in name only, and about the only requisite required in securing a licence to sell milk is payment of the annual fee. No check-up is made as to sanitary conditions on farms and in the dairies also, thus making it an easy matter to sell milk retail either on the part of individual producers or anyone wishing to get into the milk distributing business, all of which makes it difficult to maintain prices and give the regular milk shipper a fair return. The retail milk trade and health conditions generally would greatly benefit, if the Provincial Health Department had direct supervision over the public health regulations in smaller centres and some of the larger ones as well.

Mr. Hay: How is the health of the people in that city? Are there any outbursts of disease?

The Witness: I could not make any statement for that.

I might say we have one city in Ontario with over 100,000 population which has no civic inspection whatever.

9. *The Effect of Pedlars on the Dairy Industry*

Maintaining a satisfactory price for fluid milk is greatly hampered by individual producer distributors and especially is this true where health regulations are somewhat lax. "Milk pedlars," the term these are chiefly known by, in order to sell milk have to cut prices below the agreed upon rate to consumers. There the cut in price is only a cent or two below that for pasteurized milk, there is not much difficulty in meeting this competition as consumers are always willing to pay a little more for safe milk. In not a few cases, however, prices are cut below these figures, thus causing regular distributors to reduce prices to meet the competition, which reduction is handed back to their regular shippers who have to accept a lower price for milk. While the percentage of pedlars is small, as compared with the large number of regular shippers to dairies, their number is sufficiently large in many centres to have a direct influence on the price of milk to shipper producers. Taking into consideration the cost of maintaining equipment for delivering milk and complying with health regulations, if there are any in force, farmer distributors would be as well, if not better off, shipping milk to regular distributors who make it their business to deliver a safe and wholesome milk supply to consumers. And it is perhaps needless to say that consumers would benefit by securing a safe supply.

Might I add to that that in the cities where there is no pasteurization the number of individual milk distributors is the largest and that assists in lowering that price owing to pasteurization.

Mr. Loucks: Are there accredited herds around this place?

The Witness: In some cases they are supposed to be accredited; if the health regulations are not up to standard they may not be.

Cut-rate dairies have always been a preventive in maintaining a satisfactory market for milk, and of late years these have increased in number and have become one of the primary causes of "milk wars" in many centres, disorganizing the business and causing an all round decrease in milk values to regular shippers. If these cut-rate dairies paid the agreed upon price for milk to producers, the situation would not be so serious, though any extensive cutting of prices to the consumer eventually brings about reduced prices for milk to producers. In too many instances, however, these cut-rate dairies go out after milk wherever they can get it and at the cheapest price they can buy it for. Their source of supply is among farmers who are not regular shippers, but who are seemingly eager to get a foothold in the city and town milk trade. In this and in other ways cut-rate dairies and suppliers of "bootleg" milk prevent a satisfactory price being obtained for the regular milk supply.

10. *The Place of Chain Stores in the Milk Industry*

The chain stores organization and its desire at times to feature milk and other farm products to increase sales and bring customers to their stores has become a serious problem. Not all chain store concerns are in this class.

I might say that we have one city in which that is a serious proposition at the present moment and may develop and cause a reduction in the price

In Ontario nothing of a very serious nature has developed in this connection, though reports of threatened price cutting by chain stores have been frequent. So far such have been headed off, largely by pro-

ducers laying their case before the directing heads of these concerns and pointing out that any cut in price on their part would ultimately react against producers and bring about a lower price for milk. Such appeals on the part of producers have had the desired effect when made, though one cannot feel absolutely sure as to the future in this regard. It seems to us, however, to be very poor business for chain stores, with branches all over the country, and dependent upon the farmer for a large share of their trade, to feature cheap milk and other farm products in their selling end and then expect to retain the farmer as a buyer of what they have to sell. What is needed to-day in order that general business may recover or improve is some way of increasing the price for what the farmer has to sell, not lowering it.

11. *Dairies not Paying Producers.*

While the great majority of distributors, large and small, are reliable and trustworthy in paying the producer regularly for milk supply, there are a few delinquents who are causing no little hardship in this regard. Some fall by the wayside and are not able to meet payments. Others seemingly deliberately plan to keep the producer out of his hard earned cash by some subterfuge or other, such as having their business in some other person's name. In such cases, when brought into Court and judgment secured against them, it cannot be enforced. Still they carry on. If one set of shippers quit, they go out after and secure others, thus obtaining a cheap milk supply, and usually undercut the dairies who are paying the farmer's price. There should be some way, legislative or otherwise, of bringing these delinquents to time and making them pay for their raw material or quit operating. It is our hope in time to so control supply as to take care of non-paying dairies by bonding.

This is one of the most serious things we have to contend with in Toronto. We had one farmer come in the other day and state that he was $400 behind in his milk cheque and asked us to help him, and it was a very serious thing, and almost impossible because you have to back the man going to court. The dairy was not bonded in any way at all.

12. *Transportation a factor in milk costs.*

All price arrangement is for milk delivered to the distributor's plant, which means that the producer has to pay trucking or hauling costs. The great bulk of the milk is now delivered by truck. Until recently, while many truck owners have played the game fairly and squarely with producers, those making a specialty of this business have been a law unto themselves so to speak.

We have two dairies in the city of Toronto who do not know who their shippers are because they are truckers, and the trucker has become an agent in buying and selling milk rather than producers and producers' organizations. This is a very serious situation and affects the general price level.

With some, the producers' interests are of secondary importance though they have to pay for the service. Certain truck owners are largely to blame for cut-rate dairies and the like being able to continue in business. Some secure milk wherever then can get it and sell it to dairies at a reduced price. Our Association is endeavouring to bring about an ordered trucking system for transporting milk and to obtain, at least, some control of milk trucking by those who pay for the service. Things are shaping up very well in this regard and we hope to work out a general plan from which producers and legitimate truckers will both benefit.

I might say that during this last month we have been able to establish with the Ontario Department of Highways that no P.C.V licences will be issued without the certification of the Producers' Association in co-operation with the Distributors Organization. When this is carried out it will assist greatly in getting rid of some of our bootleg truckers.

13. *Place of Relief Milk in the Industry.*

> Continued unemployment in cities and towns has created a serious problem for producers' organizations, that of relief milk. The main problem in taking care of this situation is to maintain prices for producers which are as low now as they well can be and enable the producer to carry on. Were the amount of milk required for relief purposes not of large proportions, this matter could easily be disposed of. The needed supply is, however, large and seemingly growing. Relief Committees in the various municipalities with inadequate funds are out after cheaper milk for this purpose. Certain dairies make a business of supplying relief milk and cut prices to get the trade, which means lower values to producers.

I may say that has been one of our great fights in central Ontario in regard to maintaining that price because of the dairies offering to give a price on the relief milk at a lower price.

> To meet this competition, regular dairies, not desiring to lose any of their old customers, who may now be on relief, try to meet this competition, all of which reacts against the regular shipper. So far in the Toronto area and in other centres also, by conferring with Municipal officers and heads of relief committees satisfactory arrangements have been made that will maintain prices to producers. In any case, this problem of relief milk is a very serious one to cope with and it is hoped that it will ease up a little before very long. Taxes which producers have to pay are so high to-day that they should not be called upon to supplement them by a decreased price for milk for municipal relief purposes.

I might say that in central Ontario that is the general dissatisfaction among our farmers, that they are accepting a cut in their price because relief prices are lower than the general rate of other milk prices.

14. *Surplus Milk*

> Surplus milk is the big question facing producers and producers' organizations. If surplus milk could be kept off the market or taken care of in such a way as not to interfere with the regular trade of producing and selling milk for direct human consumption, the city and town milk trade would be on easy street so to speak. Surplus milk is responsible for price cutting, cut-rate dairies and so on. While it is paid for at butterfat prices and supposedly does not find its way in the regular bottled milk trade, one has no real guarantee in this regard. Until such time as our Association has perfected its plans for taking care of surplus and which we hope will be in the not too distant future, surplus milk will be one of the serious drawbacks in maintaining a stabilized market for milk. It has many angles, which cannot be enumerated in a report of this nature.

15. *Recommendations for the Stabilization of the Industry*

> In the marketing of fluid milk, control of supply is of first importance. A stabilized market will benefit the regular shippers, which cannot be obtained without a controlled supply.

One of the essential functions of milk producers' associations is control of supply. By such association control, distributors are guaranteed adequate supply at prevailing prices and producers are assured a steady market for their product. In this way, the producer is safeguarded.

In summing up the situation for Ontario, we wish as a producers' organization, to emphasize the following which, if realized, would be of great value in stabilizing the market:—

(*a*) Producers' association, in order to stabilize the market, must have control of the milk of all producers in any market; this control can be secured by adopting the following suggestions:—

1. The producers' association in each market must have a signed membership, including a contract with the members to the association for the sale of their milk.

I am going to file a copy of the contract which we have taken up with the London Organization, and I might say we are starting with the contract in our lowest market in the hope of bringing that price back to the level as soon as possible.

By Mr. Pickel:

Q. Are these contracts in use to-day?—A. No. We expected when we started last fall in the organization to be able to put over a program in regard to contracts this spring, but that has been postponed until of late; but we have established two points where we have contracts—one in London and one in Brantford—that is, contracts of the Producers' Organization with their members, not as to the amount of milk. I will mention that afterwards.

2. An agreement with the distributors that they will buy milk only from members of the producers' association.
3. An agreement with civic authorities that no one is given a permit to ship milk in a market who refuses to become a member in good standing of the producers' organization.
4. A producers' organization in co-operation with the distributors should have control of the transportation until the milk reaches the plants; to do this the haulage of milk from farms should be controlled by a joint committee of representatives of the producers' association, distributors and transport owners. No transport owners should be allowed to bring milk into a city unless they are under the control of the joint committee.

Our civic authorities have realized the value of adopting a system such as I have outlined in this recommendation. One of our members going to the Toronto Board of Health stated after he had interviewed the man in charge—stated if the dairy asked them to inspect a farm at North Bay they would have to inspect it. They make no requirement as to distance, and that is practically a rule in all our cities in Ontario. We have no zoning system in Ontario.

(*b*) The distributor should enter into an agreement with the producers' association for a contracted amount of milk from each individual member shipping to each distributor.

1. All milk sold for street sales shall be paid for at an agreed on price between the association and the distributors organization.
2. Milk which is used by distributors for a secondary market shall be paid for at an agreed upon price.

3. Milk which is used by distributors for the butter trade trade shall receive a price according to the value of butterfat.
4. Milk forwarded to the plant above the contracted amount shall be paid for at secondary or surplus prices unless distributor requires the extra amount for street trade. The producer shall be allowed to keep his surplus milk at home but not to send it to another distributor.

This is one of our serious troubles in our central dairy—of the surplus milk being taken—when it is shipped off from one dairy and sent in to another dairy.

(c) The producers' association shall have the right to make an audit of all distributors' record of sales and purchases. This would give a proper check-up on the use of milk after it reaches the plant.

I might say we have taken this point up with one of the large cities with the local Chamber of Commerce, and they are quite interested in this. They realize that the buying power of the farmers in their own districts must be maintained, and they realize that this should be monthly if possible. I am going to file a monthly statement which we are asking to be supplied at the present time, just in regard to sales. I have another one here which we will ask our dairies to comply with in regard to their sales.

By Mr. Pickel:

Q. These regulations are simply prospective regulations; they are not in force now?—A. No; because the organization has only been developed in the last six months. I might say when we started last fall many of these things which we are submitting now would not be considered by the dairies in any way, but to-day they are.

(d) Civic authorities should encourage a zoning system from which milk can be brought in to local market. This would greatly assist in giving producers Association a much better chance of maintaining prices in accord with the cost of production. Zoning of cities at the present time to have consideration of the present shippers in each market.

(e) Every distributor buying and selling milk should be required to supply an adequate bond to safeguard producers and thus ensure that all milk will be paid for monthly.

Q. Have you free access to the distributors' books? I was rather impressed with the fact that the distributor might object?—A. I might say that during these last six months that co-operation is being extended, and the dairies are willing to co-operate in that way.

By Mr. Tummon:

Q. I think if you will look it up, the same thing was referred to by Mr. Ruttan the other day. He seemed to be quite agreeable?—A. Yes. There are some of these points we have brought in here that we have asked the dairies for and they refused, but now I think they have acceded to them.

(f) Complete study of the principal markets should be undertaken immediately. This study should include all distributing agencies, transport system, civic inspection and producers' conditions. On the result of this study, legislation should be giving the industry greater stability.

If it were possible for the above suggestions to be carried out, with the proper support of producers and legislation to make the recommendations effective, the producer would have better control of his market. This control would assist in lowering the cost of distribution and would eventually reduce the spread between the farmer's and consumer's price. The executive members in studying the milk markets in other centres have found that, where the above control methods were used, there was a resultant increased price to the producer and in many cases there was little or no great increase in the cost of milk to the consumer.

Conclusion

No set of conditions can absolutely secure for the producer an adequate return, while world prices for cheese (Canada's largest exportable dairy product) are so much below the cost of production. No matter how high the walls to protect fluid milk shippers, milk from other sections will be brought in by bootleggers, hence some relationship between whole milk price and world market prices is necessary.

When the above objectives are attained, many of our biggest problems to-day will be solved. Control of milk supply will eliminate unfair chain store competition, cut-rate dairies, "bootleg" milk, non-paying dairies and the like by bonding the dairies. This does not mean a combine or anything of that nature that will boost prices to the producer beyond what general dairy conditions and the law of supply and demand will warrant. It only means conserving the market for the regular milk shipper, whose business it is to produce a clean, sanitary and wholesome milk supply for human consumption. The health of our people is of prime importance. It is our sincere desire, therefore, to so improve and built up the fluid milk trade that every consumer in Ontario will have a safe, health-giving milk supply.

There is one chart which I would like to show here. This is a chart which we use with our producers in our educational work in the locals, and we try to spend considerable time on this chart right here.

FACTORS which affect the price of milk

1. The price of butterfat
2. The price of cheese
3. The amount of milk available for a market
4. Pasteurization
5. Health regulations
6. Zoning of milk supply
7. Transportation facilities
8. The type of country surrounding the market
9. The percentage of farmers who sell below the association price.

By the Chairman:

Q. Your suggestions, I take it, Mr. Marritt, all hinge on the zoning of the territory from which you get your supply, does it not?—A. No, I don't say they all hinge on that. I think the most important point is the question of a signed membership with a contract with the members for the sale of their milk by the association.

Q. You say that the fluid milk market only consumes 20 per cent of the available milk.—A. Yes.

Q. How are you going to control the supply? Zoning is one way perhaps, but even though all zone, how are you going to control the available supply?—

A. That brings out the question in regard to contracts with your members, each member should be given a contracted amount to supply, and it also states that that milk above the contract should not be allowed to go to other distributors.

Q. I know, but would there not be more contracts available than would fill a supply in a given territory?—A. You mean that there might be more farmers who would want to sell milk?

Q. Yes, more than you can accommodate; what are you going to do then? I think it is pretty nearly a settled fact there would be more milk available than you could take care of in the fluid market.—A. Yes, there is no question about that.

Q. Then it resolves itself back into the old question of bargaining with the distributor?—A. Absolutely, consideration of all the different factors which affects the price of milk.

Q. Well, what is the basis upon which you bargain with the distributors to-day,—cost of production?—A. That is taken into consideration, and also the price of milk for manufacturing purposes.

By Mr. Tummon:

Q. After all is said and done, is not that the foundation upon which the fluid milk price is settled on?—A. Absolutely.

The CHAIRMAN: Do you mean to say, Mr. Tummon then, there is not much use of trying to bolster up the price of fluid milk?

Mr. TUMMON: I have always understood that the distributor, long before there was any producer organization as such, built up the prices to be paid producers of milk from a basis of the price of milk for the manufacture of cheese and butter. If the price of cheese was such as to pay the shipper to the cheese factory 75 cents for 100 pounds, the distributor added so much for transportation and what little extra there might be for holdbacks, for the extra cost of collection and proceessing that class of milk, and they paid that. If the price of manufactured milk dropped on the market, or the price of cheese dropped, they took advantage of it.

By the Chairman:

Q. Does consideration of the spread enter into your deliberations with the distributors Mr. Marritt?—A. It is certainly brought out by the producers many times, and in talking to the producers they bring that point out at price conferences.

By Mr. Tummon:

Q. Mr. Marritt, get it down to a basis of the whole thing—all the milk industry in Canada—is not the exportable surplus the important thing?—A. I would say so, yes.

Q. The exportable surplus is the most important thing in the situation.—A. You mean as cheese?

Q. As cheese or butter.—A. Absolutely, you must consider them. If there is a price change in butterfat—a rapid change—the producers' organization should carry the price level over that until the price of butterfat comes back.

Q. Do you carry it over?—A. We—there is your organization—for instance, the price went down very rapidly for one month. There is nothing—no reason why the producer organization should recede to that point at all.

Q. Then would you say on the other hand if it went up fairly rapidly for a month it should do the same thing?—A. Well, it is up to the producers' organization to take all the advantage of that if they can.

By Mr. Pickel:

Q. Well, they don't have much power to take advantage of it, do they?—A. No, but the organization is there. We have in several of our markets, as I stated, in regard to private markets, probably one-ninth of the milk which is brought in at lower than the association prices.

Q. I have one of your papers here, the Ontario Milk Producer for April.—A. Yes.

Q. In which is an article "What should a cow produce to get by?" and it has come to the conclusion 12,000 pounds.—A. Where is that?

Q. On page 127.—A. Yes.

Q. Don't you think that is a pretty high average to set for a dairy?—A. Absolutely.

Q. Do you know of any dairy of that kind?—A. You mean af a farm dairy?

The CHAIRMAN: You mean, of a herd.

By Mr. Pickel:

Q. Are there not more under 5,000 than over?—A. The average production for the Hamilton area, which I knew, would be about 7,500 pounds.

Q. A very good average too.—A. Yes. And we had in the cow-testing association, over 8,000; we had 1,300 cows but that would be better than average, and I might estimate that at between 7,000 and 7,500 pounds.

Q. I notice here in your February " Ontario Milk Producer " a little article, a message to the milk shippers on page one, in which you refer to "a reliable market, a steady price even if it is below the cost of production is something well worth while—all producers share alike in these benefits and should pay their share." What explanation do you give of that, Mr. Marritt?—A. First is "an even price," is it?

Q. It says "reliable price—a steady price even if it is below the cost of production is something well worth while." Have you any estimate as to the cost of production of milk?—A. I filed a cost of production statement of one average producer, and it showed $2.35.

Q. $2.35, what does that include; can you give us the details, Mr. Marritt; does it include interest on investment?

Mr. TUMMON: That is in the statement, isn't it?

The CHAIRMAN: No, it is not in the statement, it is filed separately.

Mr. PICKEL: Does it include interest on investment, overhead, taxes and everything of that kind?

Mr. TUMMON: And depreciation?

The CHAIRMAN: Perhaps it would be wise to read that.

By Mr. Pickel:

Q. Or, is that just feed and labour?—A. It was turned in by Mr. W. E. Shaver of Ancaster. I thought it was quite satisfactory—those are his figures, but it doesn't look as though I could explain them.

Q. It doesn't give the details?—A. He just gives the cost of producing one hundred pounds of milk as $2.35.

Q. That appears a little bit high on what we have had; we had $1.50—of course that didn't include interest on investment, overhead and things of that kind, but simply feed and labour; I thought possibly this might have included that.—A. I think so.

Q. Hoy long do you think the farmer can stay on this basis of producing milk at $2.35 and selling it for $1.50?—A. Not very long, if he has to pay interest on his investment.

The CHAIRMAN: Are there any further questions; we have two or three other gentlemen here, if you are satisfied.

By Mr. Bertrand:

Q. Would the witness explain this last cost item which interests me greatly —was it your association who wrote that it was well while for the producer to sell below cost if the price was steady; I would like to have an explanation of that?—A. I didn't get you.

Q. Our findings will have to be based on what we have here and if it is based on what—

Mr. PICKEL: That does not imbue us with a great lot of faith.

By Mr. Bertrand:

Q. Would you explain that to the committee please?—A. Put your question again.

By Mr. Pickel:

Q. "A reliable market, a steady price, even if it is below the cost of production is something well worth while"?—A. I would say, speaking from the association standpoint that an even price at $1.45 is something to be maintained when we have a group of farmers, a percentage of a lower price of $1.20, an even price over the association is what we aim to pay.

Q. Oh, you were speaking about a live association, not the individual farmer who is back on the range?—A. Well, we consider the individual farmer, there is no question about that; but, Mr. Pickel, the price of $1.45 on one of those markets is double what it is for cheese in the same radius; so, as the association of whole milk producers' that is something worth while.

Q. That would be about $1.15 or $1.20, I suppose?—A. It would average $1.20.

Q. Yes. Would you think, Mr. Marritt, that it would be possible for anything to be done from the distributor's end of it to lower the cost; don't you think the municipalities are demanding too much?—A. Yes, I think that the distribution of milk is one of the most serious problems, not only to the distributors but to the whole industry, and it should be considered thoroughly. That is were the loss is, in the distribution, the increase in the number of wagons in each city—when times are bad it is greater than when times are good.

By Mr. Loucks:

Q. Mr. Marritt, do you know of any company—I am talking of solid companies, not these mushroom companies that spring up in the night and beat the farmers out of a lot of milk—I mean one of the big companies; do you know of any of them losing money?—A. No.

By Mr. Pickel:

Q. Do you know of any of them asking for relief to-day?—A. No, sir.

Q. Well, that is what we want to find out; and I rather think, Mr. Chairman, that this is a fact finding body, and we would like to ascertain what that spread is; if it is actually necessary that they should get as much spread as they are getting.

By Mr. Loucks:

Q. You don't think, in other words Mr. Marritt, that it would be possible for co-operation between distributor and producer which would eliminate a lot of the overhead, but rather that there should be legislation to bring that about?—A. I think there should be both.

By Mr. Pickel:

Q. Mr. Marritt, if the farmer were guaranteed a percentage of the price, say fifty per cent, of the distribution of milk—that is, of the sale price—do you not think that it would eliminate the bootlegger?—A. If it was guaranteed fifty per cent.

Q. Fifty per cent; that is what he is claiming?—A. That would certainly be something of an ideal to aim at; and I think, from the producers' standpoint they would be satisfied with fifty per cent.

Q. It would take a long range gun to get there. If you just get my idea, Mr. Marritt; we have presumed that milk is selling at 10 cents a quart in the city?—A. Yes.

Q. If they wanted to have a milk war, and the price goes down to 4 or 5 cents, if the farmer would stick and insist on getting his fifty per cent, he would be getting more than he is now; do you think they would have any of these milk wars. If they could make some arrangement so they would not have a lot of surplus milk, and if they established the quota at 55, or 45 or 40 per cent on wholesale, and still maintain a percentage of the price, I think it would make things move on the farm.

The CHAIRMAN: I don't want to shorten up the discussion; have you an answer there?

The WITNESS: I think not only in considering that point, you have to consider what Mr. Tummon brought out, the amount of exportable dairy products there is in the country and the relation of it to the sale of milk.

By Mr. Pickel:

Q. Mr. Marritt, we have always had an exportable surplus?—A. Yes.

Q. In 1904 we sent 250,000,000 pounds of cheese to the old country?—A. In nineteen what?

Q. In 1904, and last year we only sent 74,000,000. Where is the surplus? It is going down; it is dropping.—A. Yes.

Q. And the sale price of our milk is going lower?—A. That extra amount of cheese milk that is on the market affects us because it is coming into our own Toronto market.

Q. I don't doubt that one bit, but I think that is an exaggeration; I think if there were a percentage basis fixed for the price of milk, that the cheese situation would not have much to do with it; the distributors would try to regulate their business, try to regulate the purchases so that the farmer would get a more just distributional price.

The CHAIRMAN: Now, gentlemen, we have three other witnesses here that I think we should try to hear.

Mr. TUMMON: Just a minute, Mr. Chairman.

The CHAIRMAN: All right, Mr. Tummon.

By Mr. Tummon:

Q. You have had some experience sitting in, representing the producers, along with the committee from the distributors, in arriving at the price, have you not?—A. Yes.

Q. Let me ask you, from your experience, this question: supposing the price of milk for cheese or for butter was netting the producer approximately one dollar per hundred pounds?—A. Yes.

Q. What, in your opinion, is a fair price based on that dollar, that the producers of fluid milk to the city should receive?—A. 25 cents above that for transportation; and 15 cents for the skim milk, 15 cents for sanitary inspection, and 15 cents for regular supply.

By the Chairman:

Q. 70 cents?—A. 70 cents. That would be $1.70.

By Mr. Tummon:

Q. That is practically the basis upon which prices are settled now?—A. Yes, I would say so; if the price of butterfat was above a dollar at the present time, the association would certainly demand back to $1.85, or any price that we could demand.

Q. So that not only the distributors but even your producers association supplying fluid milk into the city, really start with cheese and butterfat as a foundation figure?—A. Yes.

By Mr. Pickel:

Q. You don't take into consideration at all, Mr. Marritt, the fact that the distributors are making millions out of the farmers, unjustly?—A. Yes, we do.

Q. You don't take that into consideration at all?—A. Yes.

Q. Why should they not be penalized a little bit and be obliged to disgorge some?

Mr. TUMMON: Well, Mr. Chairman, it is my firm conviction that you cannot isolate one group of producers in the dairy industry without the other side being affected.

The WITNESS: That is exactly right. The price of whole milk must be based on the consideration of every pound of milk in the province.

By the Chairman:

Q. In the dominion?—A. Yes, in the dominion.

By Mr. Tummon:

Q. Let me ask you another question, Mr. Marritt: You are troubled, no doubt, in all these cities—Toronto and other places—by small dealers?—A. Yes.

Q. Is it not a fact that the profits in the distribution of milk is such an amount that it encourages the small fellow to get into it?—A. Yes.

The CHAIRMAN: Any further questions? Mr. Marritt will be here, and if you wish to recall him, it will be perfectly all right. Now, we will have Mr. Hughes, president of the London Producers Association.

J. A. HUGHES, called and sworn.

By the Chairman:

Q. Mr. Hughes, give your name to the committee and your occupation and position, please?—A. J. A. Hughes, president of the London District Milk Producers Association, Post Office No. 3, Ilderton, Ontario.

Q. And you are president of the London producers association?—A. Yes.

Q. Will you speak out please?—A. Yes.

Mr. Chairman and gentlemen, the situation in London:—

> Milk required for the London market must be pasteurized or from accredited herds. As there is only one inspector for all the herds in the area of the City of London and he has other duties to perform, it is stated on good authority that the regulation in regard to accredited milk does not mean anything and there is considerable whole milk coming into the market which is not accredited.

Milk during the summer has been selling at nine cents—that is, last summer, up from the first of May to the end of November, but the pasteurizers and individual farmer distributors, reduced the price to seven cents beginning the first of December.

When milk was being sold at 9 cents per quart the farmers were receiving \$1.30 per hundred. With a reduction to 7 cents the farmers were offered \$1 per hundred. The dairies are being paid for relief milk at 6½ cents.

Individual Distributors

There is a licence fee of \$1 for distributing milk in the City of London. Any person who wishes to distribute milk is rquired to pay a licence fee of \$1. There are many estimates as to the number of individual distributors in London, anywhere from forty to eighty. Both distributors and farmers agree that this number is increasing every week. There are probably ten individual farmer distributors, who are playing fair and have not cut prices. These farmers have routes varying from 150 to 200 quarts. They are fairly well satisfied. They would like to get more for their milk, but there seems to be a sort of antagonism on their part towards the pasteurizer men, and because of this, there is very little co-operation.

These farmer distributors who have 150 to 200 quarts per wagon are not the trouble. It is the increasingly large number of individual producer distributors who are breaking into the field, selling milk at 5 cents and 6 cents who are causing the trouble. These men vary from 30 to 75 quarts with an average of about 50 quarts per route. Some of the milk which they are using is bought very cheaply and all they are making out of the milk is the little extra which they receive for peddling. Probably the reason that the individual distributor is not in a mood to assist in raising the price at the present time is the fact that he is continuing to make the same amount for distributing milk as he made formerly. The only reduction which he is receiving is in his production, which is the smaller percentage of his total receipts.

Pasteurizing Distributors

There are nineteen pasteurizing distributors in the City of London. The majority of these have a good reputation. The managers are playing fairly with the farmers, paying them regularly at the end of the month—I might say semi-monthly. The managers of these dairies state that they would welcome an increase in price if this could be controlled and maintained. They are willing to work with the farmers to build up their organization. There are about four pasteurizing distributors who are most unscrupulous. Some are buying their milk very much lower than other firms and even at prices below factory prices and putting this milk on the street at cut-rate prices. There are some firms who are receiving the milk from farmers and selling it back to them for distribution.

By the Chairman:

Q. After it is pasteurized?—A. Yes. One man that you would call a bootlegger, he goes out and buys milk, or did last fall and the beginning of the winter at 70 cents a hundred, taking it to the pasteurizer and having it pasteurized, and buying it back from the pasteurizer at 4½ cents a quart, and retailing it.

By Mr. Pickel:

Q. For now much?—A. All the way from five to seven cents, anything he could get.

Q. And still the big distributors can't buy it for less?—A. Yes.

Q. And he is making money?—A. Yes. But of course he was only paying 70 cents a hundred for the milk.

Q. That is what most of the big distributors pay?—A. No. The regular big distributors in the city of London were paying a dollar per hundred.

Mr. LOUCKS: They take the surplus and do not average that at all.

The Witness:

There is one instance of one firm which is buying milk from individual distributors at \$1 per hundred. The individual distributor is paying 70 cents for this milk and is thus making a profit of 30 cents per hundred on the milk and then is buying the milk back from the dairy at $4\frac{1}{4}$ cents per quart. Several of the unscrupulous firms are not paying their farmers for their milk. The number of farmers who are not receiving their money for their milk is increasing quite rapidily. Many believe that these firms will not be able to continue in business. In the meantime they are assisting to ruin the milk market in the City of London.

Solution

The Producers' Association is willing to co-operate with the individual distributors in controlling the price. The best method for immediate relief which the producers' association suggests is the adoption of an increased fee up to \$100. The individual distributors oppose this idea as it would be an extra charge on them. By this method an individual distributor starting into the business, would be considerably crippled in the beginning as they would have to buy certain equipment and in addition would have to pay a reasonable fee in advance. The individual distributors are very strongly opposed to a pasteurization by-law as this would eliminate them from the business. As I stated before the good individual producer distributor is making fairly well, as he receives a good return from acting as a delivery man for his own milk. The idea of the fee seems to be out of the question, as it will be opposed by all individual distributors and probably would be hard to enforce.

The only course left the Producers' Association is to adopt a policy of enforced pasteurization for the City of London.

This would immediately eliminate the small retailer who goes to the country or comes in from the country with small amounts of milk. In order to accomplish this aim, it will be necessary for the organization to be put in a very strong position. With this idea in mind, the Association has agreed to adopt a satisfactory contract, secure the signature of all farmers shipping to pasteurizing plants in the City of London, build the organization financially and work educationally, with the idea of having a pasteurizing by-law adopted by the City Council. It is strongly suggested that the regulations in regard to pasteurizing be undertaken more fully by the Ontario Department of Health.

Now, there is in the city of London, I might say also, a very poor inspection. The by-law is there, but it is not enforced. Personally, or we as a producers' association, are not blaming the inspector. He is trying to do his work conscientiously. There are, to begin with, I might say, 236 shippers of milk to the pasteurizing plants. There are 33 producing distributors. There are anywhere from 50 to 100 bringing milk in for manufacturing purposes, which comes under city inspection. He has around 400 farmers, he told me the other day, to inspect. He has the dairies to inspect, slaughter houses and all of those other sanitary conditions to look after in the city. There are some farmers he never gets to in a year. He has been to my place once in three years. He came to one farmer just lately and things were in a very bad condition. Part of his cows had been clipped, and the rest had a lot of manure on them, and the stables very dirty. This farmer told him: "I am getting \$1 for my milk; I cannot afford to buy a new pair of plates for the clipper to finish clipping those cows, so I just let them

go." And he went away. The man was conscientious, but the cows are still in that shape, and likely will be until they got out to grass.

He went to another place just here last week, and I got word of it, of a man who wanted to start to come to London with milk. He left a note—the man was not home—that the conditions were unsatisfactory to send milk to the city of London; that he would not sanction it. This morning that milk is starting to London. The dairy sent word that everything was all right for him to send that milk to London.

We have unrestricted competition in London that we cannot seem to get away from, or keep under control, and that is why milk, for one reason, is so cheap around the city of London. There are practically no restrictions regarding help. There is another by-law with regard to the producing distributors. They are required to have a steam boiler of some sort to make steam to sterilize their bottles, every morning, after they bring their bottles home from the milk route. Some of them are never heated up.

By Mr. Pickel:

Q. That milk is not sterilized?—A. No. Some of them are never heated up. I was in one man's place myself and he was washing bottles in a tub. He washed 150 bottles in the same tub of water, and rinsed them with cold water. These are the sanitary conditions that allow milk to come into London, that should not be going there at all.

By Mr. Bowen:

Q. Have you much sickness in London?—A. We do not appear to have any more than other places.

Mr. Pickel: They get used to it.

The Witness: Now, it is the feeling—there is nobody, any farmer or any distributor of milk, who wants to blame Dr. Gill. The same thing occurred when Dr. Tamblyn was there. Dr. Tamblyn was one of the best inspectors there was in the province of Ontario. He would come up and inspect your farm and say, you farmers are not getting enough for your milk to live up to those regulations.

By Mr. Pickel:

Q. Under those circumstances, what good is an inspection if it is not enforced?—A. Yes. The point is the Board of Health and the city council won't stand behind him. These bootleggers that you speak of, they are not producers, the fellows who buy milk and bring it into the sterilizing plants; they are not producers.—A. No, they are not producers. We that are supplying the pasteurizers of milk in the city of London, the producing distributor and brother farmer are the ones who are supplying 80 per cent of the milk to the city of London, of its whole milk delivered on the street, and they are supplying 20 per cent. Is it fair that they should wag the other fellow and hold us down to unreasonable prices. A year ago the 26th of April—well, it was a year ago the first of March,—milk dropped to $1 a hundred, and 7 cents a quart —no, 9 cents a quart, and they were going to pay $1.15, and then some of them started to cut in, and cut to 7 cents a quart—some of them went to 7, and another to 5, then they all went to 5; and it stayed from the 10th March until 26th April at 5 cents a quart, and we got 85 cents a hundred, we get from 85 cents to $1 a hundred. We went then and tried to get all the producing distributors and the pasteurizing distributors together, to see if they could not come up and maintain an equal price of 9 cents, and pay the farmer in the neighbourhood of $1.30. Of course, the producing distributor says the pas-

teurizing distributor is at fault, and the other says the other man is at fault. and they do not want to co-operate. The producers got them all together, and we got them all to sign an agreement to sell milk at 9 cents a quart, and pay the farmer $1.30.

By the Chairman:

Q. I suppose you would agree it is a good thing for the consumer?—A. Well, the consumer was satisfied to do it. They did not complain about the prices, nor has the consumer in the city of London yet, to a very great extent complained about the price the farmer is getting. He says the farmer is not getting any too much at $1.30 or $1.50; but they do think the pasteurizer is getting too much spread. Now, what I was coming at about this agreement is this: all but one of the pasteurizing distributors signed this agreement to sell milk at 9 cents and 5 cents, and pay $1.30 a hundred. All but one of the producing distributors signed. We got that and they said they would start out and do it.

By Mr. Pickel:

Q. Why did this one producer object?—A. Well, he said he got his route at 5 and 7 cents, and was not going to charge any more, you see.

By the Chairman:

Q. In selling milk at 5 cents, some of the companies have a larger spread than 5 cents. How about the fellow that is selling milk at 5 cents, is he making any money? Is the producer-distributor, who is selling milk at 5 cents making any money?—A. Well, he claims he is not. The best of them say that they are not making money at 7 cents.

Q. How are they doing it then?—A. There is the point.

By Mr. Tummon:

Q. It is the small producer who is distributing his own milk?—A. Yes.

Q. It is his own milk?—A. Yes.

Mr. Loucks: That is a different proposition.

By Mr. Pickel:

Q. He is getting all there is in it.—A. He lives within 5 miles of the city, on a paved road.

By Mr. Loucks:

Q. Do you think that the producer was satisfied that that was a fair spread between 9 cents a quart to the consumer, to the distributor, and he getting $1.25 a hundred for his milk?—A. Well, the farmer thought at that time that we should have $1.40 for our milk.

By Mr. Pickel:

Q. It cost him more than that.—A. It cost us more than that; I will admit that it cost us more than that, but then the point is this, that we got to go on a butterfat basis, plus the cost of whole mik that the city—we cannot get away from that butterfat or cheese market, and if we get too high above that, we will bring in more milk to the city.

By Mr. Loucks:

Q. What would happen if you formed a combine, if you producers would say, "Here now, this is below the cost of production—".—A. I was just coming to that before you asked the question. When we got this agreement

drawn up last April with the producers and the producing distributors some of the aldermen said, "Here, this is a combine; we will have you fellows pulled under the Combines Act." We said, "Hop to it; this is a free country; you go to it, and you will see whether it is a combine or not." And they found out before the year was over, it was not a combine. With the milk coming in, somebody started cutting prices, and it gradually dropped to 7 cents, so there was no combine.

By the Chairman:

Q. I suppose it would not be a combine unless it were 100 per cent water-tight?—A. And there was a penalty for violating it.

By Mr. Tummon:

Q. Your troubles at London are pretty much a local affair?—A. You are right.

Q. And pretty much as a result of the city regulations not being strictly enforced?—A. Yes, that is so.

By Mr. Pickel:

Q. Do you not think sir, that if there was a percentage basis on which the distributor had to pay the farmer that he would see to it very quickly that adjustments and amendments were made to the city by-laws, which would put out a lot of those other fellows?—A. I just do not get you.

Q. In most cities, the health regulations are controlled pretty well by the milk distributors?—A. Yes.

Q. The health officials in the cities are doing everything they can to please the distributors. It is not the producers they are looking after. They are not helping them any. They never asked for it. These regulations were drawn up to help the distributor. If the distributor had to pay the percentage price, do you think he would be selling milk at 5 and 6 cents a quart, don't you think that the regulations of the City Board of Health would be such that a lot of those bootleggers would be put out?—A. If we could get the co-operation of the City Council and the Board of Health in working with the farmers, the producer, we might get somewhere. But the minute we start to do anything, they say we are going to raise the price to the consumer; and they look to where they get their votes in the next election and that is why.

The CHAIRMAN: Now gentlemen, we have Professor Reynolds here, and if you are through with questioning this witness, I shall call him.

Witness retired.

Dr. J. B. REYNOLDS, called and sworn.

The CHAIRMAN: I might say that Dr. Reynolds was a former president of the Ontario Agricultural College and I am sure he will be worth hearing. Will you give the committee your standing in the producers' association?

The WITNESS: I am the president of the Toronto Milk Producers' Association, and a director of the Ontario Milk Producers' Association. Mr. Marritt has covered what we of the two associations believe to be a correct statement of the situation, and a statement of our views. I shall not attempt to cover the same again, but to confine myself to the question of cost of producing milk, which appears to interest you more or less.

I have two statements as to the cost of producing milk, two ways of arriving at the figures; one through immediately present conditions on our own farm and the other covering the whole milk producing area. You have had, of course, some statements of milk costs varying considerably, and the variation results

from two methods of approach partly, and partly from the introduction or the omission of certain factors such as interest on capital invested and other things that may be put in, or may be left out, by the one who is doing the estimating. But with regard to the general cost of milk production, let me point out the significance—and not the cost of production, but rather the price of milk—in this chart. This chart has been prepared by Mr. Marritt for the use of our association in our meeting. The upper one with dotted lines, represents the variation in milk prices, that is, wholesale milk prices, or milk prices to the producer, from the year 1870 to the year 1930, in the New York area; and while we have not prepared similar figures for Ontario, we are quite satisfied that the costs are parallel. These are the variations in prices; that is, $1.40 from up and down as the time goes on. That is 90 and 95 up to $1.75, and along here is 1915, and then 1920 and 1925. It went up then out of sight, and now it is pretty near down out of sight.

By Mr. Pickel:

Q. That was the price to the producer?—A. That was the price to the producer for whole milk. This heavy line represents the milk equivalent of butter prices. That is to say, taking the price of butterfat and multiplying by the per cent of butterfat in your milk you get the milk equivalent at butter prices. What I want you to notice, and the significant thing is that these drop together and rise together. That is to say they run pretty well parallel. Where one is high the other is high, and, therefore, there is generally covering a period of 60 years a gap or a difference between the milk price and the milk equivalent of butter prices of somewhere between 40 or 50 cents. Now, that must mean that without any human contrivance but from the result of economic laws which we must obey there is a more or less constant difference between the milk prices—wholesale milk prices and the milk equivalent of the butter price of somewhere between 40 and 50 cents. Now, take the present situation. Our last cheque for cream—and we are separating more than half of our milk at present—our last cheque for cream gave a price of 24 cents a pound butterfat at a test of 3·4. That would be 82 cents a hundred for milk. That is the milk equivalent of the butter price. Now, we add the lowest difference of 40 cents and we get $1.22, add to that the cost of transportation which for the Toronto area is about 30 cents a hundred on the average, and you get $1.52 which should be the present price of 3·4 milk based on butterfat. The present price of 3·4 milk is $1.45, so that the whole milk price suffers at the present moment in comparison with the butter price.

By Mr. Tummon:

Q. You are taking your first figure that you added to the price per hundred, butterfat as about the average of what has been shown by your New York chart?—A. Yes.

Q. Or about 40 cents?—A. 82 plus 40 plus 30 for transportation, and that price is 7 cents above the present association price in the Toronto area.

By the Chairman:

Q. There is this to be said, that the price of butter fluctuates a good deal more rapidly than the price of fluid milk can?—A. Certainly.

Q. It may be up 5 cents to-morrow?—A. As a matter of fact, butter prices have varied while milk prices hold steady at $1.45—butter prices or butterfat prices have varied from 30 cents to 16 cents in the same period. Now, the present price of producing milk at Localda Farm at Port Hope—I am taking one day's production, and as our production is very steady I think it is a fair estimate—of 375 pounds of milk per day. Chop and concentrates, 140 pounds

at 1 cent a pound, worth $1.40; hay, 400 pounds, worth $1.60. Last year we decided not to put in any ensilage and to see if we could run economically, because silage is an expensive method of feeding, if you can get along without it. It is not orthodox, I know; but we have tried it and we have had fair success. Our cattle have come through the winter well on dry feed.

Q. Do you use turnips?—A. No turnips; no succulent food at all. I am not recommending it, but that is what we have done this winter. I estimate for all the concentrates and hay—that is good legume or alfalfa hay—$1.60; labour 9 hours per day, $1.80—20 cents an hour which I think is less than the distributors pay their drivers; depreciation 18 cows valued at $1,500, 10 per cent on that is $150, or 40 cents per day; buildings, $3,000, 5 per cent depreciation or 40 cents a day; milking machine at $365, 10 per cent depreciation, 10 cents a day; gasoline to run the machine, 10 cents a day; veterinary services, $30 a year, 8 cents a day; cooling milk, including ice and labour, 15 cents a day; one-half of the taxes—because we estimate that the proceeds from the farm come about half from the dairy and half from other things—one-half for the taxes, 30 cents a day, making a total of $6.33 a day cost for producing 375 pounds of milk, or $1.69 per hundredweight. Proceeds: price of milk at the dairy. Our test last month—we have a holstein herd—was 3·2. It was $1.37 for 3·2 milk; hauling, 33 cents a hundred, leaving a net return of $1.04. We are shipping right at the present moment, and I am dealing with the present situation, three days a week. 375 pounds for three days a week at $1.04 comes to $11.70 in the week. Now, for the rest of our milk—the other four days the price of the butterfat on the last cheque we received was 24 cents. 375 pounds at 3·2 yields 12 pounds of fat. Twelve pounds of fat at 24 cents per day, four days per week, $11.52. Then we have 1,500 pounds of skim milk for four days at 15 cents a hundred, $2.25 making a total return per week of $25.47, or $3.64 per day, or 97 cents per hundredweight return. Cost $1.69; loss $2.70 per day. That is our own farm. Now, then, the alternative estimate for the whole Toronto area; taking an estimate of 8,000 cans of milk and four cows necessary to fill one can of milk—that is 20 pounds per day per cow or 7,300 pounds per year which is above the average—it would require at least four cows per can—32,000 cows at $75 each. You may, of course, question that estimate.

The CHAIRMAN: I do.

The WITNESS: That is not what they would sell for now, but that is what they have cost the farmer right now unless he has bought them recently—$2,400,000. For feed—I am told this is a low estimate for acreage, but I have put in 2 acres for grain, 2 acres for hay and silage per cow, making 128,000 acres necessary to furnish feed for those cows, and those acres with buildings at $75 per acre, $9,600,000. Then on the farm $1,500 worth of implements and horses, one-half of which to be charged to the dairy, makes a total of $750 per farm for 3,500 farms, $2,625,000, or a total investment of $14,625,000, and I am quite convinced that is a low estimate. That is the capitalization. The maintainence charges per farm—labour $1,000; taxes chargeable to the dairy $75; threshing, silo-filling, supplies and expenses $125—I am sure that is low—making a total of $1,200 of maintainance charges each for 3,500 farms, $4,200,000; interest on $14,625,000 at 5 per cent is $731,250; so that 2,920,000 cans of milk, which is the amount of milk consumed in the city of Toronto in a year, cost $4,931,250. So that with interest counted it is $1.69 per can or $2.11 per hundredweight; without interest, $1.44 per can or $1.80 per hundredweight. My other estimate, based on our own farm is $1.69. I admit there is a variation there. Now, a little comparison: the farmers who supply milk to the city of Toronto have an investment of $14,625,000. The dairies who distribute the milk estimate their capital investment at $1,000 per can. That is the quickest way of arriving at their capitalization. That is their own estimate of capitalization. 8,000 cans for

$1,000 per can is $8,000,000 which is the investment of the dairies distributing milk in Toronto. The investment of the farms shipping milk to the dairies is $14,625,000. The farmer receives for 3·6 milk which the dairies say is the average of the milk delivered to the dairies, $1.23 per hundredweigth net. For an investment of $14,625,000, plus their labour, taxes and expenses, $1.23 per hundredweight for the farmer. For the dairy, for an investment of $8,000,000 and for the labour of pasteurizing and distributing, the distributors receive approximately $2.17 per hundredweight. I am giving you Mr. Chairman, the facts.

By Mr. Pickel:

Q. That is about the spread to the farmer.—A. Yes, that is your spread to the farmer, $1.27 spread to the dairy $2.17 for interest and their labour.

By the Chairman:

Q. These figures, professor, are based entirely on fluid milk?—A. Oh yes, but it is based on what they estimate the value of a dairy plant, what it costs to put it on the market.

Q. Does that take into account surplus milk?—A. No, that takes for the $9\frac{1}{4}$ cents, and not 10 cents that a quart is, or the average. That brings me to a question asked one of the former witnesses; how the farmers manage to survive with a continual loss. Here is the answer to the question, at least one answer. A farm of 145 acres which sold five years ago for $14,000, was resold recently for $6,500. That was a case that came to my knowledge. This is something that happened in our own firm, a good grade of dairy cow sold seven years ago at $100; the prevailing price to-day for the same quality of stock is $40 and $50. Farm capital values have depreciated by more than 50 per cent.

The CHAIRMAN: Any questions, gentlemen?

Mr. PICKEL: I don't know Mr. Chairman, the professor is a very good witness, and I don't know how we are going to improve on what he has said.

Mr. LOUCKS: That is splendid.

The CHAIRMAN: I think he has been very much to the point, and I think the committee is indebted to him for what he has given us.

Mr. PICKEL: That is very pertinent evidence, there is no question about that.

The CHAIRMAN: Thank you, Professor. We will now call on Mr. Fletcher.

HIRAM FLETCHER, called and sworn.

By the Chairman:

Q. You are a member of the executive of the Hamilton association?—A. I am a member, merely, of the association, Mr. Chairman.

Q. What is the name of your association?—A. The Hamilton Producers Association. I have a statement, Mr. Chairman, that I would like to file.

Q. We will have you give it to the committee, if you will.—A. As has already been brought out this afternoon by the previous witness, Mr. Marritt, as secretary of the Ontario Milk Producers Association, the Hamilton Producers Association is a unit of the Ontario Association.

HAMILTON SITUATION

Following the sale of the Hamilton Dairy and the Pure Milk Company, there was a rapid increase in the number of dairies and thus a number of wagons doing business in the City of Hamilton. A fair

estimate of this number is an increase of 60 since 1928. More than half of these wagons were put on the street and selling milk which was purchased below the price paid at the dairies with which the association was dealing. Giving credit to some of the new dairies when they secured custom, and when there was a reduction in price, came in line with the price paid by dairies for association milk, but in the majority of cases these dairies continued to buy at a lower price and also in some cases, the farmers are not being paid for their milk. In some cases milk is not being paid for until after three months time. Beside a number of dairies buying milk at a lower price, some dairies have had a practice of buying an extra can from a farmer at a lower price and also have taken on shippers who were shipping to Toronto at lower prices when this milk had been offered to them; Toronto shippers being better satisfied to ship to Hamilton at a lower price owing to the high cost of transportation to the Toronto market.

This milk, which had formerly been going to Toronto, was offered to them at a lower price, owing to the fact that it was more profitable to a Toronto shipper to sell his milk in the Hamilton market at approximately $1.25 for all the milk, rather than send the milk to Toronto at $1.45, less cartage charges. Toronto shippers are always willing to change their place of shipment to Hamilton, if it is possible for them to get a dairy in Hamilton to take their milk. This milk is often sold at a lower price with the hope of being taken on as a regular shipper later on.

WHOLESALE MILK

The price of wholesale milk during this summer and fall has been lowered considerably. One Dairy accepted the School contract for milk in half-pints at $1\frac{7}{8}$ cents. This is a price much lower than other dairies are selling half-pint milk.

I might just explain there that in order to do that this particular dairy had to go out and buy milk outside the regular zone where milk was coming into Hamilton, he had to buy milk that was going into manufacturing purposes; in order to give that price to the Board of Education, which only helped to make the situation worse, there was that much more surplus milk coming into Hamilton.

The larger dairies have been required to meet low price competition in the wholesale market in many cases. In some cases, they have not met it and have allowed the low price dairies to take this milk. This has increased the amount of surplus in the dairies who are paying Association price for their milk.

RELIEF MILK

The City of Hamilton established the practice in the fall of 1931 of paying 1 cent less than retail price for relief milk. This was done during the Fall when milk was selling at $1.85 per hundredweight. A large amount of milk was offered to the City at $1.25 a hundredweight at that time. The dairies in order to hold this business for themselves and their shippers finally arranged to take 9 cents for all relief milk. The amount of relief milk sold in the city amounts to between 10 per cent and 12 per cent.

RETAIL MILK

An increasing amount of milk is being sold other than relief at 9 cents. The system in the city is that if a wholesale customer takes three quarts, a reduction is made to 9 cents. This has grown until an increas-

ing amount of milk is being sold at 9 cents and in many cases the dairies do not consider this wholesale agreement and considerable milk is being sold at 9 cents a quart. Dairies stated that they would not lose any more trade to the cut-price dairies at 9 cents and are going to meet it. There are two ways of meeting it. One was for the price of milk to be cut to 9 cents a quart and the price to the farmer be cut accordingly. The other was to retain as high a percentage of the retail milk at 10 cents as possible and when required, to meet the cut price at 9 cents. This would have been very serious practice as this system would have grown and have been very unsatisfactory to both dairies and farmers, as it would have resulted in the price structure breaking down and all milk being reduced to a lower price level.

Now, Mr. Chairman, I am sorry that I did not bring with me a questionnaire, or a number of the questionnaires, which were sent out from the Hamilton District Milk Producers' Association to various shippers throughout that area, asking them to figure out the actual cost to them of producing 100 pounds of milk. It was very interesting, when the committee received these questionnaires, just to see the different methods and the different figures arrived at by the different producers. The cost of production ranged all the way from $1.40 up to $2.75 per 100 pounds. In my own case, while I can't give you the details of the amounts which go up to make the total figure of $1.96 per hundred pounds, without allowing anything for my own services as manager—I included interest at 5 per cent on capital investment and all other labour outside of my own was included in that amount.

I have a few suggestions which in my opinion might help to solve the situation—I say that they are my own opinions, and you make take them for what they are worth. I am firmly convinced that milk should be a public utility; that it should be handled by a Public Utilities Commission.

The Chairman: Do you mean handled or controlled?

The Witness: The sale controlled, "control" is the better word, by a Public Utilities Commission. We have at the present time, between 650 and 700 producers shipping milk into the Hamilton market, approximately 2,000 cans a day supplying the whole milk trade to the Hamilton market. That milk could be, and should be, produced from an area of possibly 10 miles surrounding the city of Hamilton.

The Chairman: Where would you be?

Witness: I would come in the 12 mile limit, Mr. Chairman. We have milk coming, I would say, approximately 70 miles, milk that until recently—a great many herds were not accredited, and not t. b. tested—milk which formerly went into the manufacture of milk products. If there could be some method of controlling the transportation of that milk, working in conjunction with boards of health of the various centres, and the truckers' association, so that the milk which would ordinarily go into other channels—if it could be prevented from coming into competition with the milk which has ben naturally coming into the fluid milk trade. If there could be some stabilization or some market encouraged or cultivated for cheese and milk products, I think that would go a long way towards solving the situation of the fluid milk trade. I was very glad that Dr. Reynolds mentioned the one instance of property that changed hands just recently. I know the property very well. It is situated right close to my home possibly as good a dairy farm as we have in the county of Wentworth. That farm sold a few years ago for $14,000. The man who bought it failed, and the mortgagee had to take the property over. The mortgagee happened to be a widow, and after listing the property with several real estate firms, she finally made sale last week for $6,500.

By Mr. Pickel:

Q. Cash?—A. Partly cash; but it is a genuine sale. The man who purchased it was able to make a good substantial payment on it.

Q. Is he a milk producer?—A. No, he is not.

Q. Is he a farmer?—A. He is a farmer, but is not going into the milk business. He is going to farm it as a grain farm for the time being.

Q. He is a wise man.—A. But there is stabling equipment there for about forty head of cattle, one of the finest set of buildings that you will find, buildings that could not be built to-day for $10,000. Yet those buildings and 135 acres of land, as good a dairy farm as there is in the county of Wentworth, sold for $6,500. So that just goes to prove the very depressed condition that the dairy industry, or the man who is producing milk for city consumption, is facing to-day. Now, I do not think that I have any further suggestions to offer, Mr. Chairman. If there is any question the members of the committee would like to ask, I will answer, if I can.

By Mr. Pickel:

Q. I am just going to ask you a theoretical question; don't you think that the farmer deserves and is entitled to a fifty-fifty division in the price of milk?—A. Doctor Pickel, that has been advocated among some members of our association, that if we could get the distributors of Hamilton to consent to that, our troubles would be over.

Q. They would not sell any five or six cent milk, then?—A. They would see that the price was high enough, if we could get fifty per cent.

Q. They would have civic regulations passed that would keep the bootlegger out; that is what they would do. They would see it was done.—A. That very thing has been advocated by some members of our association.

The CHAIRMAN: What effect would that have upon the consumer?

Mr. PICKEL: No effect whatever.

The CHAIRMAN: On the consumer's price?

Mr. PICKEL: You could limit the price to the consumer also, to ten cents, if you want to; but let the farmer get a fifty-fifty division in the price of milk. He is entitled to it, and let him get it.

The WITNESS: As the number of dairies has increased in Hamilton, the spread between the cost of production and the cost to the consumer has gradually crept up. To-day we have wagons on the streets of Hamilton, who are handling possibly one-fifth—possibly not that much—of what they should be handling; one driver following another, trying to steal business from him.

By Mr. Pickel:

Q. Sure, having a good time.—A. Yes.

Q. Joy-riding?—A. Yes,

Q. Sure.—A. Yes, and these men are all well paid; they have got to be.

Q. Better than the farmer, a good deal?—A. I believe the average driver for the Hamilton dairies, with the commission he receives, is receiving in the neighbourhood of $30 per week. Now, I venture to say that you could count the producers on the fingers of your one hand, in the county of Wentworth, who made that this last year, with a capital investment of anywhere from $10,000 to $15,000.

The CHAIRMAN: Any further questions, gentlemen? Well, thank you, Mr. Fletcher.

We will adjourn now until 10.30 to-morrow.

The committee adjourned at 5.55 p.m. until 10.30 a.m., Tuesday, May 2, 1933.

APPENDIX "B"

PRESENT COST OF PRODUCING MILK AT LOCALDA FARM

375 pounds of milk per day

	Per day
Chop and concentrates, 140 pounds	$1 40
Hay, 400 pounds	1 60
Labour—9 hours	1 80
Depreciation, 18 cows at $1,500—10 per cent=$150	40
Buildings at $3,000—5 per cent=$150	40
Milking machine at $365—10 per cent=$36.50	10
Gasoline	10
Veterinary services—$30	08
Cooling milk (ice, labour)	15
One-half of taxes	30
=$1.69 per cwt	$6 33

PROCEEDS

Price of milk at dairy	$1 37 for 3.2 milk	
Hauling	33	
Net	$1 04	
375 pounds, 3 days a week at $1.04		$11 70
Price of butterfat—24 cents.		
375 pounds, 3·2 per cent=12 pounds fat.		
12 pounds at 24 cents—4 days a week		11 52
1,500 pounds skim milk at 15 cents		2 25
7 days milk yielding		$25 47

=3.64 per day.

375 pounds yielding 3.64.

=97 cents per cwt.

375 pounds costing $1.69 yielding 97 cents per cwt.

=a loss of $2.70 per day.

COST OF PRODUCING MILK IN THE TORONTO AREA

8,000 cans milk =32,000 cows at $75		$ 2,400,000
Per cow—2 acres for grain, 2 acres for hay and silage=128,000 acres, with buildings, at $75		9,600,000
$1,500 of implements and horses, one-half charged to dairy.		
$750 per farm for 3,500 farms		2,625,000
		$14,625,000
Per farm—Labour, 2 men at $500	$ 1,000	
Taxes chargeable to dairy	75	
Threshing, silo-filling, supplies and expenses	125	
3,500 farms, each	$ 1,200	4,200,000
Interest on $14,625,000 at 5 per cent		731,250
2,920,000 cans of milk cost		$ 4,931,250
With interest	$1 69 per can.	
	2 11 per cwt.	
Without interest	1 44 per can.	
	1 80 per cwt.	

For this investment of $14,625,000 for labour, taxes, and expenses, the producers receive approximately $1.23 per cwt. for bottled milk containing 3·6 per cent of butter fat.

For an investment at $1,000 per can the distributors estimate a total capital charge of $8,000,000. For this and the labour of pasteurizing, bottling and distributing, the distributors receive approximately $2.17 per cwt.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MAY 2, 1933

No. 25

Reference,—Milk and Milk Products

WITNESSES:

R. F. Caulfield, President, Caulfield's Dairy Ltd., Toronto.

T. H. Thorne, Regional Accountant, Borden's Limited.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

House of Commons,

Tuesday, May 2, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair. Bouchard, Bowen, Carmichael, Dupuis, Fafard, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Rowe, Senn, Simpson, Smith, Spotton, Stewart, Stirling, Swanson, Taylor, Thompson, Vallance, Wilson.

The question of calling further witnesses was discussed and stood over till later.

Mr. Pickel produced an affidavit made by one James B. Elliott deposing to alleged facts connected with his being notified to discontinue supplying milk to the Perfection Dairy Limited of Montreal. Mr. Pickel proposed that the said affidavit be incorporated in the evidence. Objection was taken by Mr. Dupuis.

On motion by Mr. Tummon the said affidavit was ordered printed on the record.

R. F. Caulfield, president of Caulfield's Dairy Limited and T. H. Thorne, regional accountant of Borden's Limited were severally called, sworn, examined and retired.

The question of calling further witnesses was discussed and referred to the subcommittee.

The chairman submitted the names of the subcommittee appointed to draft a report, as follows: Messrs. Tummon, Pickel, Bertrand, Cayley, Loucks, Bowman, and Bouchard.

The meeting adjourned at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

Tuesday, May 2, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The Chairman: Before we start with witnesses this morning, I think we should come to a conclusion about the matter of taking any further evidence. At the last hearing it was the opinion of the members that we should close our proceedings very soon, and I am still of that opinion, if we are going to get any report to the House before it closes. What is the committee's wish in this respect? (Discussion follows.)

Mr. Pickel: Mr. Chairman, if I am not out of order, I should like to read an affidavit into the record. This is an affidavit of Mr. Elliot of Howick, Quebec, and is made in relation to the evidence given by Mr. Monette of the Montreal Dairy in answer to a question of Mr. Bowman. The question and answer are as follows:—

By Mr. Bowman:

Q. How is it you happened to discontinue that man?—A. There is no discrimination; there is a truck that does not stay there to receive milk there in that district, and Mr. Elliot happened to be sending his milk in that truck; that is why we say we discontinued him. I will go further. We had some milk shippers in that same district that were shipping by C.N.R. and we keep them on because it suits us to do that.

Now, here is the affidavit of Mr. James B. Elliot:—

To Whom it May Concern:

James B. Elliott of the Parish of Tres-St-Sacrement, county of Chateauguay, province of Quebec (Farmer) being duly sworn, deposeth and saith.

1. That he was the only milk producer in the Howick territory which was ordered by Monette to discontinue shipping milk, that two near neighbours who previously shipped still continue to ship to Monette.

2. That he shipped his milk by the Canadian National Railway not by truck at the time he was ordered to discontinue shipping to Monette.

(Sgd.) James B. Elliott.

Subscribed and sworn before the undersigned at the Village of Howick, this 27th day of the month of April, in the year one thousand nine hundred and thirty-three.

(Sgd.) David Vass,
Justice of the Peace in and for the District of Beauharnois.

Mr. TUMMON: I move that the affidavit be spread on the record.

Mr. DUPUIS: Although I have no doubt about the affidavit—I should rely on that—we must not forget that the witness against whom this affidavit is directed, was himself sworn before this committee. My recollection of British fair play and British custom, is that we should not proceed in the absence of the accused or the interested parties. I would submit before this affidavit is incorporated in the record, we should call Mr. Monette; otherwise, it is unfair. I never heard, since Magna Charta of a person being convicted in his absence. He should be present.

Mr. PICKEL: This is simply a fact-finding body. We are not prosecuting nor persecuting Mr. Monette. He is not on trial. These are simple facts. If Mr. Monette wants to argue the point, it is strictly up to him; but I think this should be read into the record.

Mr. DUPUIS: With all due respect to my colleague—I was going to say my learned friend, he is learned enough in these matters to be called my learned friend—this is a real condemnation of Mr. Monette. Mr. Monette comes here and tells us that he had a truck that brought milk from that district. He said that in a sworn statement, and to-day in the absence of Mr. Monette, we produce evidence to the contrary, and it would be left in that situation. The conclusion is clear. Either Mr. Monette or Mr. Elliot has made a false statement. Either one of them is perjuring himself. There must be one true statement and the other false.

Mr. MOORE: They are both sworn.

Mr. LOUCKS: We are not responsible for that Mr. Chairman, at all.

Mr. WILSON: Mr. Chairman, I might say this: we all realize, no matter from what district he comes, that this is a common practice of the dairy companies, the cutting off of milk producers that are not satisfactory to them; and I think it is only doing justice to Mr. Elliot to have the affidavit placed upon the record. This could be followed out, if we had time, to bring producers from my section of the country especially, where the dairy companies cut them off, all over the country. As Dr. Pickel has said, this is a fact-finding body, and I cannot see any reason why the affidavit should not be placed on the record.

Mr. PICKEL: I think in all fairness, a copy of this affidavit should be sent to Mr. Monette, and let him act accordingly.

The CHAIRMAN: Well gentlemen, this is not a court of law where Mr. Monette or Mr. Elliot is on trial. This is a fact-finding committee. Mr. Monette made certain statements under oath, of course. This affidavit has been presented by a member of the committee, a statement which was made under oath, and I do not see why it should not be placed on the records of the committee, and the committee give such weight to the evidence as it may think fit. Are you ready for the motion? Carried.

The CHAIRMAN: We have this morning, a representative from Caulfield's Dairy Limited, upon whom I shall now call.

ROBERT FRANCIS CAULFIELD, called and sworn.

By the Chairman:

Q. Will you give your position to the company?—A. President of Caulfield's Dairy Limited, Toronto.

Q. You have a statement to make?—A. I have a statement to make.

Mr. Chairman and Gentlemen:

I understand that it is your desire to obtain information relating to the conditions of the milk trade as it affects Caulfield's Dairy Limited of Toronto. I appreciate the opportunity afforded me to give this information.

First of all may I deal with the arrangements which are made for purchasing milk from the producers.

Representatives of the distributing companies meet with the executives of the Ontario Milk Producers' Association and arrange with them the base price to be paid from time to time as market conditions warrant. Pleasant relations have always existed between ourselves and the producers and we are, and always have been, anxious to co-operate with them for mutual benefit.

Our greatest problem is the surplus milk coming into the city daily. This milk is being sold at sacrifice prices to some distributors, who in turn undersell companies like ourselves who arrange to pay the producers the full price. This condition will be aggravated during the coming flush season of June and July, unless some way can be devised to take care of this surplus product. Many efforts have been made in previous years to deal with the matter, but owing to the lack of co-operation among the producers themselves, those efforts have not met with success. At the present time we are working in conjunction with the Ontario Milk Producers' Association on a plan which we hope will remedy this situation. The outlines of this plan are as follows:—

1. Producers who have a market in the city would not in future sell any milk to any other than their regular distributor—milk not required for use on their farms would be shipped as surplus to their regular distributor, thereby keeping their surplus from competing with their milk sold for street sales.
2. There would be no hold-backs. Distributors who are able to handle any surplus shipped by producers would do so. Those unable to handle surplus, as is the case with many small distributors, would arrange for some other distributor or creamery to handle this surplus.
3. There would be control of the truckers by a joint committee, composed of representatives from the Producers' Association, the distributors and the Truckers' Association to ensure that truckers would not carry surplus milk to other than the regular distributors.
4. So as to give the Producers' Association control of their members a form of contract would be agreed and the assistance of the civic authorities sought to ensure that only producers who are members of the association would be permitted to ship milk of the required standards to distributors.
5. A range of prices would be set:—
    - (*a*) The top price for all milk sold as fluid milk;
    - (*b*) A manufacturing price for milk required for ice cream manufacture, standardizing, etc.;
    - (*c*) Butterfat price for all milk used for the manufacture of butter.
6. Zoning would be considered with due regard to the interests of all regular licensed city shippers.

7. Bonding of all buyers and sellers of milk and milk products is considered essential for the protection of the producers.
8. Auditors (acceptable to both producers and distributors) would be appointed to examine the distributors' records to determine the proportions of milk sold for street sales, for manufacturing purposes and as butter so that each shipper to a dairy would receive a blended price based on the exact proportions used for each purpose. In arriving at the blended price consideration would have to be given to the quota allowed each shipper as compared with the fluctuation of his surplus.

We have prepared a series of tables which will furnish your Committee with information relating to the purchase and sales prices of milk by months by our company during 1932. From these tables it will be noted that we paid the producers an average of $1.48 per cwt. for 3·4 per cent milk f.o.b. the plant with an added 4 cents per point up or down as a premium, which resulted in their receiving an actual average of $1·536 per cwt. for milk used for street sales, or 3·95 cents per quart.

We realized 10·03 cents per quart from the sales of this street milk, which resulted in a spread of 6·08 cents per quart. The majority of our business consists of retail trade, approximately only 5 per cent being wholesale. During 1932 we purchased a total of 22,100,486 pounds of milk at an average price of $1·5306 per cwt. or 3·94 cents per quart. This quantity included 1,237.540 pounds of surplus milk used for standardizing cream at a price of $1·425 per cwt.

Actually the percentage of all milk purchased at association price is 94·5 per cent and only 5·5 per cent at surplus price.

These figures show that we purchased in 1932, 6 per cent more milk at full association price than we required for street sales.

This milk is received from producers within a radius of 12 to 90 miles who pay an average charge of ·32 cents per cwt. for hauling.

The following table explains how the spread per quart between purchase and sales price is accounted for:—

	Cents
Cost of product	4·24
Production expense	·76
Selling and delivery	4·26
Container loss	·19
Income tax	·07
Net profit	·51

We feel that if co-operation between the Ontario Milk Producers' Association and Toronto distributors with the plan previously supplied can be put into operation, benefit to all concerned will result.

By the Chairman:

Q. That is your full statement, Mr. Caulfield, is it?—A. Yes.

By Mr. Pickel:

Q. Have you a copy of that?—A. Not a spare one, no.

By Mr. Tummon:

Q. I have just a few questions to ask, and I will be as brief as I can. Mr. Caulfield, your company distributes one or two classes of fluid milk?—A. We have the special milk, which is the jersey and guernsey. These figures here are all—

Q. Combined?—A. No, this is just the regular milk.

Q. The regular milk?—A. Yes. This does not include any special milk.

Q. That is your standard milk?—A. Yes, standard milk.

Q. Can you tell the committee, or did you, the total number of pounds of milk that were being handled in the year 1932?—A. 1932?

Q. Yes; as I understood it, your figures were for the year 1932?—A. That is right.

Q. Is that your fiscal year—the calendar year is your fiscal year?—A. Yes.

Q. The total number of pounds of milk that your company handled was what?—A. 22,100,486 pounds.

Q. And you said that the association price that you paid for that was $1.50 something?—A. You are speaking of street sale milk?

Q. Yes?—A. $1·536.

Q. $1·536; that is what might be known as the association price?—A. That was milk that was purchased at—

Q. Association price, plus bonus?—A. Yes.

Q. You pay a bonus?—A. Of four cents a point over 3·4 milk.

Q. Over 3·4?—A. Yes.

Q. How much of the total quantity of milk, of that 22,000,000 some odd pounds of milk that you handled, was paid for at that price?—A. 20,872,966 pounds.

Q. The balance then, I presume, would be known as surplus milk?—A. Yes.

Q. And that amount was what?—A. 1,237,540 pounds.

Q. What was that paid for per hundred pounds?—A. The average price was $1·425.

By the Chairman:

Q. Your surplus milk?—A. Yes.

By Mr. Tummon:

Q. How much?—A. $1·425.

Q. What you gave us then, as paid for at the association price, and the quantity paid for at the surplus price makes up the total quantity of milk that you have for 1932, does it not?—A. Yes, that is right.

Q. Can you give us the total cost of that milk, fluid milk, for the year 1932, per quart? Have you that figured out in your table there? I think I noticed that you said you had some tables.

The CHAIRMAN: There are two different figures there per quart, are there not?

The WITNESS: Street sale milk, 3·95.

By Mr. Tummon:

Q. That is the cost was 3·95?—A. Yes.

Q. That was the association, 20,000,000 some odd pounds?—A. Yes.

Q. What was the average price per quart sold?—A. 10·03.

Q. And that left a spread of 6·8?—A. Right.

Q. I think I got those figures down.—A. 6·08.

Q. On that table that you gave us there—I could not hear very well—I thought you broke down that spread, didn't you?

The CHAIRMAN: Yes.

By Mr. Tummon:

Q. In the statement that you gave?—A. I didn't just hardly get that.

Q. You broke it down, or broke it up, whichever you have a mind to call it?—A. Yes.

Q. Would you go over those figures again, please?—A. Cost of product, 4·24; production expense, ·76; selling and delivery, 4·26; container loss, ·19; income tax, ·07; net profit, ·51.

Q. That is a net profit of approximately a half a cent a quart?—A. Right, sir.

Q. I was just comparing the spread. Your firm is part of the Borden Company Limited, or Borden's Limited?—A. Borden's Limited.

Q. It stands in the same relation to Borden's Limited as does City Dairy?—A. Right.

Q. I notice where the spread in the City Dairy was 5·36; your spread is 6·8.

Mr. PICKEL: 6·08.

The WITNESS: 6·08.

By Mr. Tummon:

Q. That is considerably over half a cent a quart; can you account for that or give any explanation of that, Mr. Caulfield?—A. Unless the retail business realize more for milk than the other company.

Q. I beg your pardon?—A. One company may have more wholesale business than the other.

Q. I notice that their figure, I think, was 3·88 per quart cost; yours was 3·95 cost?—A. Right.

Q. Not a great deal of difference there.

The CHAIRMAN: There is a difference there; he says 4·24 cost, in breaking it down.

Mr. TUMMON: Oh, yes; I am looking at the wrong figures. Not 3·95. That is another company's figure. It is 4·24, yes. 3·95 was his cost.

By Mr. Stirling:

Q. What is the difference between 3·95 and 4·24?—A. That would be inventory, adjustments, waste, and loss of milk returned from routes.

By Mr. Tummon:

Q. Let us get that, Mr. Caulfield; do I understand you to say this, that taking the total quantity of association milk that you purchased, it cost you 3·95?—A. Per quart.

Q. Per quart?—A. Yes.

Q. But when you figured the loss, you found that you had only sufficient quarts—that the cost was 4·24 as a result of wastage and such?—A. 4·4, that was the product cost.

Q. Do I understand that the difference between the cost given in the one case of 3·95 and 4·24 represents a loss of milk from some place, to you?—A. Yes, there is a waste in the milk that is returned on routes, from the drivers; it has to be churned.

Q. You don't count that milk in surplus prices, the returns, that is, that milk that is returned from the routes and used for churning?—A. No, sir.

Q. That is paid for at association prices?—A. Yes.

Q. Well, that is so much. Some of the other companies turned that back into surplus.—A. Not in our case here.

Q. You say that your average sale price per quart was 10·03?—A. The price that we realized on the milk?

Q. Yes.—A. It was 10·3.

Q. 10·3?—A. 10·03.

Q. That is what I thought, 10·03. I think the price given us the other day by your sister company, if I may so call it, was 09·24, the average sale price. That, you say, may be caused by one company having more wholesale business than the other?—A. A bigger percentage of wholesale trade.

Q. You say your profit per quart was ·51?—A. Yes.

Mr. TUMMON: Mr. Thorne is already sworn. I would like to ask him a question. Have you the profit per quart there, Mr. Thorne, for City Dairy this morning?

Mr. THORNE: No, sir, I have not, Mr. Tummon. I am sorry.

By Mr. Tummon:

Q. What I was trying to figure out, in my mind, was how it comes that the one company seems to be much more efficient in regard to profits than the other one; on the spread of 5·36 cents per quart, the City Dairy made a profit, and the profit for Caulfield's on a spread of 6·08 cents per quart is just about the same?—A. I didn't just get that, Mr. Tummon.

Q. Well, what I was wondering was this: the City Dairy, I think, had a spread of 5·36 cents per quart. Their profit was, if I remember correctly, practically the same as your profit, and you have a spread of 6·08 cents per quart?—A. Well, a big volume of wholesale business would make that difference, sir.

Q. In what way, Mr. Caulfield?—A. Well, the wholesale business would naturally pull his spread down.

Q. But that would not interfere with his profit?—A. Why, sure. He would have a bigger volume and smaller profits to work on.

Q. Yes, but it is the spread that we are dealing with.—A. Well, a smaller spread and a bigger volume would give him more profit than a big spread and a small volume.

Q. But then, in other cases we have where the volume of milk handled was approximately the same as your own, working on a spread of 4·5, showing a profit of approximately ·58 and ·60 cents. It is just a question. I have taken the time to make a little table of these, and one of the things that has rather puzzled me is the difference in spread when the profit does not vary much. You have, on your table there, broken up that spread so as to show how it is apportioned, the cost, have you not, and that will be filed with the Clerk?—A. I didn't get that.

Q. You have broken up that spread, I say, on a table there that you will file with the Clerk?—A. Yes.

Q. Very well, we will leave that. I will get what information I want in that. In regard to surplus milk, how do you handle the surplus milk? How do you use it?—A. How do we use it?

Q. Yes?—A. We use it in standardization cream; and any surplus we have beyond that, we churn it.

Q. When you say for standardizing cream, what do you mean by that?—A. Our cream comes in at 40 or 32 per cent, or both; and we have four different grades of cream to make out of it, 8, 16, 24 and 32.

Q. And if it comes in, for example, at 40 per cent cream, and you want to standardize it to 32, you add milk to it to bring it down?—A. Yes.

Mr. TUMMON: I guess that is all, Mr. Chairman.

By Mr. Pickel:

Q. What grades of cream do you deal in, Mr. Caulfield?—A. We have a cereal cream containing 8 per cent butterfat; we call that cereal cream.

Q. Yes?—A. Then we have 16 per cent cream, 24 and 32.

Q. What are the prices of those per quart?—A. 8 per cent, $26\frac{2}{3}$ cents per quart; 16 per cent, 53 cents per quart; 24 per cent, 80 cents per quart; 32 per cent, $1.07 per quart.

Q. How do you pay for that cream? That is on the butterfat basis. You buy cream do you?—A. Yes.

Q. Do you separate any of your surplus milk for cream?—A. No.

Q. What do you pay for cream, that is at the present time?—A. We pay an average of 30·6 per pound fat.

By the Chairman:

Q. That is for '32?—A. That is for butterfat.

Q. For the year 1932?—A. Yes.

By Mr. Pickel:

Q. Could you give us an estimate, Mr. Caulfield, of what your profit is per quart on 32 per cent cream?—A. We have it figured out in half pints here.

Q. That will be easy to estimate?—A. 40 cents a pound.

Q. You make 10 cents a pound on that?—A. 40 cents a pound profit fat on a half a pint of cream.

Q. I didn't quite catch you—40 cents what?—A. 40 cents profit on the fat per half pint of cream.

Q. Mr. Caulfield, will you tell us, with the 40 per cent cream that you buy, what would be the cost of one gallon of 40 per cent cream?—A. There would be one pound of fat in one quart of 40 per cent cream.

Q. In the one quart?—A. In the one quart.

Q. Let us figure it out; there is one pound?—A. Yes.

Q. That would cost you 32 cents?—A. Yes.

Q. That would be $1.28 a gallon; would you pay $1.28 a gallon for that?—A. Yes, that is about right.

Q. What would you sell that gallon of cream for? Is the price about equalized between the 8 per cent, 16 per cent, 24 per cent and 32 per cent?—A. Our average selling price of 32 per cent cream—not 32 per cent cream but in the year of 1932, is $1.40.

Q. That is $1.40 a quart?—A. $1.49 a quart—a gallon.

Q. $1.49 a quart?—A. A gallon.

Q. That is your selling price?—A. That is what we realize for it.

Q. You mean profit?—A. No, selling price.

Q. Oh, oh. You sell at $1.07 a quart?—A. Would you mind repeating your question over again?

Q. You pay $1.28 for 40 per cent cream you buy from the farmer; you pay $1.28 for—

The CHAIRMAN: Per gallon.

Mr. PICKEL: Yes, per gallon.

By Mr. Pickel:

Q. What would you realize out of that gallon of cream, selling as 8 per cent, 16 per cent, 24 per cent and 32 per cent? What would that net you for a gallon of cream?—A. The average selling price in 1932 was $1.49 a gallon.

Q. A gallon of what, 40 per cent cream?—A. Average cream.

By Mr. Bertrand:

Q. What is average cream?

The CHAIRMAN: That is an indefinite statement, a very indefinite statement.

The WITNESS: I thought that is what you asked.

By Mr. Pickel:

Q. No, I have asked you a specific question directly; a gallon of 40 per cent cream that you pay the farmer $1.28 for, will make you how many gallons of eight per cent cream—five gallons?

The CHAIRMAN: Oh, more than that.

The WITNESS: I am sorry, I can't give you that figure just now. It will take a little figuring out.

Mr. PICKEL: It will be approximately 5 gallons.

Mr. BOUCHARD: More than that.

The CHAIRMAN: There would be more than that, because they add milk; they add 3·4 milk to it.

Mr. BOUCHARD: Nine.

Mr. PICKEL: Say about nine, would it be?

Mr. BOUCHARD: Yes.

By Mr. Pickel:

Q. Let us get at this; it is rather important, more important than I thought. You would get how many gallons? You must certainly know how many gallons you would get of 8 per cent cream out of it?—A. Well, I have done a lot of that kind of work, but I have got a little rusty on those figures, but I will get those figures for you.

Q. Well, it is simply a matter of mathematics, is it not?—A. Yes.

Q. You have got a gallon of 40 per cent cream, and you are asked how many gallons of 8 per cent cream that will make.

The CHAIRMAN: It is not an easy computation to make.

Mr. BOUCHARD: No, it is not.

Mr. PICKEL: I know, if you take into calculation the diluting which you use.

The CHAIRMAN: Yes, they use milk of 3·4, of 3·6, to dilute the cream down to 8 per cent. It is rather a complicated mathematical question.

Mr. PICKEL: Mr. Bouchard may be able to tell us.

Mr. BOUCHARD: Yes. We call that cream; it is a very polite term for milk, in which we have twice as much butterfat as in the ordinary good milk. So you take a gallon of milk, 3·5, and you add to it 4·4—let us take a little more, let us add five—if you take eight gallons of milk and you add a gallon of your cream of 40, that would give about an average of eight gallons of cream at 8 per cent; so that if you figured it 7 gallons of milk and one gallon of cream, that makes it eight gallons, roughly.

The CHAIRMAN: It would make some difference, would it not, Professor, as to the quality of the milk, whether it is 3·2 milk or 4 per cent.

Mr. BOUCHARD: 3·2 milk is no milk. I am taking 3·5. It would be easier with 4, but let us take it 3·5; then you have the cost of your milk and the cost of your cream; and I think, roughly, 8 gallons would be about right.

By Mr. Pickel:

Q. Now, Mr. Caulfield, that roughly speaking will make you nine gallons?

Mr. BOUCHARD: Eight, rather.

The CHAIRMAN: That is not evidence, after all. I mean to say, it is not evidence—

Mr. BOUCHARD: No, it is not evidence, but it is evident.

The CHAIRMAN: Oh, yes.

Mr. ROWE: Would Mr. Caulfield admit that it is evidence?

By Mr. Pickel:

Q. Do you agree with those figures?—A. I would rather submit those figures a little later on.

Q. Then, do so.—A. All right.

Q. Let us know your actual profit on 8, 16, 24 and 32 per cent cream. The way I figure it, it gives you $1.28, and you are getting 4 and 4½ for 8 per cent cream. Now, in your evidence to Mr. Tummon, you said that your surplus milk was used largely in standardizing that cream?—A. Yes.

Q. Why should there be a diminution in the price of that surplus milk when you are making a good deal more than you are on the sale of whole milk?—A. Well, that has been the buying arrangement for—

Q. I understand it is the buying arrangement, but why? Is there any reason for it, when you are making more money on it than you are on whole milk, a good deal more?—A. We have always bought our surplus milk for standardizing or any other manufacturing that may be used along in the dairy business.

Q. At a lesser price?—A. Yes; manufacturing butter or ice cream.

Q. Is there any reason why that should be done, why the producer should be penalized on that milk that you use to standardize cream, when you are making more on it than you are on the street sales, a good deal—twice as much? —A. Well, the surplus milk that we have been buying is pretty near on a par with the price—

Q. $1.42 compared with $1.53?—A. Yes.

Q. You dock it 11 cents?—A. Yes.

By Mr. Tummon:

Q. At the same time, is it not a fact that the standard price of association milk is $1.45?—A. $1.48 was the average price for 1932.

By the Chairman:

Q. No, but the standard price?—A. Was $1.45 for eleven months of 1932.

By Mr. Tummon:

Q. What I was going to say is the extra amount that you pay as a bonus is not settled so much with the association; it is a matter of the companies giving a bonus for their milk?—A. No. We paid the producer $1.30 per hundred for his surplus milk plus a bonus, for all the surplus milk.

By the Chairman:

Q. You paid a bonus on the surplus milk as well, for higher grade butter-fat?—A. Yes.

By Mr. Pickel:

Q. When did Caulfield's become amalgamated with Borden's?—A. June 6, 1929.

Q. When was Caulfield's first organized?—A. August 28, 1914.

Q. What was the capitalization?—A. $40,000.

Q. Was there a readjustment made of the financial structure after that?—A. No, sir.

Q. It remained that until Borden's took it over?—A. Yes.

The CHAIRMAN: In June, 1929, that was.

By Mr. Pickel:

Q. How was that $40,000 made up, in what shape?—A. There were 400 shares of $100 par value.

Q. Were they all issued?—A. Yes.

Q. Who controlled that company, Mr. Caulfield?—A. S. Caulfield, my father.

Q. None of those shares were marketed?—A. No.
Q. Never boarded?—A. No.
Q. It was—.—A. Just a private company.
Q. A closed concern?—A. Yes.
Q. What was the price to Borden's?—A. You mean what stock Borden's Limited turned over for this company?
Q. Yes?—A. 7,560 shares of $25 par value.

By the Chairman:

Q. 7,560 shares?—A. Yes.
Q. Of no par value?—A. Of $25 par value.
Q. Those would be preferred shares?—A. Just a minute—yes, that is correct.

By Mr. Bertrand:

Q. 7,560 shares?—A. 7,560 shares.

By the Chairman:

Q. Preferred shares or common?—A. Common shares of the Borden Company.

Mr. BERTRAND: What else?

By Mr. Pickel:

Q. Anything else?—A. That is all.
Q. Any good will?—A. That is all that was paid for the company.
Q. Do you pay any dividends?—A. Have we paid any dividends?
Q. Do you pay any dividends now?—A. No.
Q. What were the dividends paid under the old firm name of Caulfield's?—A. None.
Q. What was the profit?—A. The profit on the old company up until 1929?
Q. Yes.—A. I am sorry, I only have the one, 1928 profit.
Q. All right, give us that?—A. $23,613.67.
Q. On a $40,000 capitalization.

By the Chairman:

Q. How much was that again?—A. $23,613.67.

By Mr. Pickel:

Q. What became of the profit—there was no dividend, what became of the profit?—A. Built up in surplus.
Q. What surplus did you have transferred to Borden's?—A. S. Caulfield's & Sons surplus $91,821.41.
Q. What was done with that?—A. I would like to have Mr. Thorne just explain the capital structure of these companies, he knows more about it than I do; if it is your pleasure.

The CHAIRMAN: We are satisfied with that, doctor.

Mr. PICKEL: Yes, sir.

Mr. THORNE, recalled.

The CHAIRMAN: Mr. Thorne is sworn.

By Mr. Pickel:

Q. What became of that surplus, Mr. Thorne?—A. That was retained in the business and turned over in the present Borden's Limited.

Q. Does that include everything, reserves and all?—A. That was only surplus.

The CHAIRMAN: I would suggest, doctor, that you ask Mr. Thorne what assets were turned over at that time to the Borden's company.

By Mr. Pickel:

Q. Yes, what were the final assets turned over at the time Borden's took it over, for what you paid how much, Mr. Thorne—calculated in dollars?—A. $695,520.

Q. Now, that is the amount of 7,560 shares at $25?—A. The market value of the shares at that time was $92 per share.

Q. In this transfer, Mr. Thorne, the Borden's company took over the surplus reserves and all assets of the Caulfield's company?—A. What they call their net assets, yes. Now, there was another company that entered into that same merger, Mr. Pickel; you have not inquired as to that yet.

Q. What company was that?—A. That was known as Caulfield's Limited of 2187 Yonge street, Toronto.

Q. Well, was that a subsidiary?—A. That was entirely separate, organized by a separate organization.

Q. Was that included in the $695,000?—A. That is exclusive of that.

Q. What was paid for the other company?—A. Figured at the market value of Borden's shares at that time $623,942.08.

Q. Were these two Caulfield's separate and distinct companies?—A. At the time of the acquisition, yes.

Q. Who were the officials?—A. You mean of the first company or the second?

Q. Of both Caulfield's, were they different officials?—A. Yes. The officials of S. Caulfield & Son, the original or the older company of the two were Samuel Caulfield, president, Robert Francis Caulfield, William George Caulfield, Jane Caulfield and Florence Caulfield.

Q. That was a family affair?—A. A family affair, yes.

Q. What was the other company, Mr. Thorne?

By the Chairman:

Q. The other company was known as Caulfield's Dairy Limited wasen't it? —A. Yes. Ernest W. Stronach, president, Mrs. Marian Christian, Alexander H. Stevenson, F. W. Lines, A. N. Worthington and W. L. Knowles.

Q. Why did they take the firm name of Caulfield's Dairy, is there no connection between the two?—A. Not at the time, they merely adopted that for trade purposes.

Q. And the other company permitted that—you mean, there was no direct connection between them of a financial kind?—A. No.

Q. But I would imagine that the Caulfield family had an interest in this company?—A. No, none whatsoever; it was a competitive company.

By Mr. Pickel:

Q. And the parent company permitted that firm to use that name?—A. Well, I may say that this is a North Toronto company, as it was called commonly, and was organized May 22, 1924; whereas the original Caulfield company was organized in 1914.

Q. Did they pay anything for the use of the name?—A. Perhaps I had better give you the purchase price that covered the whole thing.

The CHAIRMAN: You did not give us the financial set-up of Caulfield's Limited at the beginning, the company which was organized in 1914.

Mr. BOUCHARD: This company is ten years after the original company.

Mr. THORNE: Perhaps I had better start with the original company, S. Caulfield & Sons.

By the Chairman:

Q. All right.—A. The only balance sheet I have from their records is dated January 1, 1929, and unfortunately that also includes the North Toronto company which turned over its net assets to Caulfield's Dairy Limited, the present company. I haven't the balance sheet of both companies separate, but I have the merged figures that combined their balances at the date of acquisition.

Q. What I cannot understand is how these companies are taken in in the same organization if there was no connection between them prior to that time?—A. When the Borden's company came along, as Mr. Spotton said, "and looked over the fence," they thought both companies should be merged, and they proceeded to do that and make one company from the two old ones.

Q. The dealings between Borden's and these companies must have been separate at the beginning?—A. It was, each company was purchased separately—their respective net assets purchased—and then merged in the present Caulfield's Dairy Limited.

Q. I see, on the merger in the financial set-up they came together, and that is what you are trying to present?—A. Yes, I have that balance sheet of January 1, 1929, which was the effective date of acquisition of the two companies, showing what was purchased.

By Mr. Pickel:

Q. Did these two companies, Mr. Thorne, sell out to Borden's on the same date?—A. Approximately.

Q. What was the capitalization of this concern, Caulfield's Dairy?—A. $1,200,000.

By the Chairman:

Q. At the time of acquisition?—A. At acquisition it was $1,200,000—the new company.

By Mr. Pickel:

Q. And the capitalization of the old Caulfield's company remained at $40,000?—A. Perhaps it is a little difficult, Mr. Pickel, to explain how Borden's Limited entered into this set-up and how Borden's company of New York enter into it; the old shareholders of both old companies—S. Caulfield, and Caulfield's Dairy Limited of North Toronto—received shares in the Borden's Company New York stock.

Q. Of about a million and a quarter?—A. A little over a million and a quarter, yes. Then the net assets of both of these purchased companies were merged in the new Caulfield's Dairy Limited with a capitalization of $1,200,000—of their Caulfield's Dairy Limited common stock, $1,200,000.

Q. Mr. Thorne, did that $1,200,000 adequately cover the assets of these two companies?—A. Plus goodwill, yes.

Q. Plus goodwill, how much for goodwill?—A. Goodwill was set up at approximately $901,516.23.

Q. That was for both companies?—A. Yes.

Q. Can you tell us how that was divided?—A. I could not tell you that.

Q. That was a lump sum for both?—A. A lump sum for the two, yes.

Q. The assets of these companies were purchased by Borden's at $1,358,000 and some odd dollars.

By the Chairman:

Q. In stock of Borden's?—A. In the stock of the Borden's company.

By Mr. Pickel:

Q. What is the par value of that?—A. If you want to look at it from the par value standpoint it was $25 a share; and from the market value standpoint, $92 a share.

Q. But in 1932, Mr. Thorne, that would represent a market value of how much?—A. Do you mean, of their stock?

Q. That Borden's had invested in Caulfield's?—A. You of course, understand that no shares of Caulfield's Dairy Limited were outstanding in the hands of the company, they are all held by Borden's Limited of Canada.

Q. Sure, what is the value of the investment to Borden's to-day in dollars, giving it at par?—A. That would be a division.

Q. Not par, at market value?—A. I don't know what the market value would be, there is no market for it, Mr. Pickel; it is not for sale.

By the Chairman:

Q. What is it put at on the company's books?—A. $1,420,000 at 1932 is the outstanding capital.

By Mr. Pickel:

Q. On that stock what is your surplus to-day, Mr. Thorne; that is, does the set-up for depreciation and everything else—give us a lump sum?—A. The surplus as at December 31, 1932, amounts to $179,648.52.

By the Chairman:

Q. That is the surplus of profits in the profit and loss account?—A. In the profit and loss account, yes, built up from the date of acquisition.

By Mr. Pickel:

Q. Will you give me those figures again, please?—A. $179,648.52.

Q. Now, does that include the sum set aside for depreciation?—A. No.

Q. What is your depreciation account?—A. $191,899.77.

Q. Are there any other sums set aside for any purpose?—A. Reserve for fire insurance, $4,329.37.

By the Chairman:

Q. Bad debts?—A. $5,252.58; for reserve for taxes prior period $204.05; that covers all reserves.

Q. That is, nearly $400,000 about $380,000?—A. Approximately, yes.

By Mr. Pickel:

Q. Who are the officials to-day of Caulfield's in Toronto?—A. Messrs. R. F. Caulfield, president, Toronto; W. G. Caulfield, vice-president, Toronto; H. A. Cronk, New York; P. D. Fox, New York; A. T. Johnston, New York; H. C. F. Mockbridge, assistant secretary and assistant treasurer, Toronto, and Col. C. M. Ruttan, Toronto. Other officers: Messrs. W. H. Rebman, secretary, New York; E. L. Noetzel, treasurer, New York; T. D. Waibel, assistant secretary, New York, and G. Bittner, assistant treasurer, New York.

Q. What are the salaries of the Toronto officials?—A. R. F. Caulfield, $6,750.

By the Chairman:

Q. Does he act in any other capacity except as president?—A. No, that is all. Mr. W. G. Caulfield, $4,500.

By Mr. Pickel:

Q. Those salaries include everything?—A. That is all.

Q. No extras, or anything like that?—A. No other executive salaries.

By the Chairman:

Q. I would like to know something about the financial set-up of Caulfield's Dairy Limited; you say that there is so much stock, how is that stock issued—is it all in preferred stock?—A. You mean, the present capitalization?

Q. Yes.—A. In common stock.

Q. All in common stock?—A. $100 par value.

Q. What is it set on the books at?—A. It is carried at $1,420,000.

Q. How many shares are there?—A. 14,200.

Q. That is, $100 a share par value?—A. That is right.

Q. Have you taken out any profits at all?—A. No dividends were declared.

Q. No dividends were declared?—A. None.

Q. And no advances made to the parent company?—A. No advances were made directly to the parent company, there was some surplus cash transferred over to the Borden's Company Limited in Toronto.

Q. Is that included in your surplus account?—A. Well, indirectly, yes.

Q. That figure of practically $180,000 does that include that transfer?—A. Well, indirectly. You understand, of course,—we discussed that once before—that the surplus is the difference between the assets and the liabilities; now, this cash that was transferred from the Caulfield's Dairy Limited to the Borden's Company Limited merely represented an account receivable which entered indirectly into this surplus figure which I gave you.

By Mr. Pickel:

Q. There were no dividends paid from the Toronto office?—A. No dividends.

Q. All from New York?—A. On the parent company's stock, the Borden's company of New York.

Q. It is all parent company stock now, there is no more Caulfield's?—A. That is right.

Q. Can you tell us, Mr. Thorne, anything about the stock that is held in Canada?—A. The name, you mean?

Q. I am not talking about the smaller ones, but the larger ones—for instance, Mr. Caulfield?—A. Unless he can tell you himself I haven't any list of shareholders.

Mr. Caulfield: The amount of stock held in Borden's by the Caulfield family, you mean is there any stock—yes, sir.

Mr. Pickel: How much?

Mr. Caulfield: That is something I could not tell you very handy.

Mr. Pickel: Approximately?

Mr. Caulfield: Approximately 2,000 shares.

Mr. Pickel: That is, by the family.

Mr. Caulfield: No, that is by myself.

The Chairman: You partly own the whole 560 common shares?

Mr. Caulfield: No sir, I have a brother.

The Chairman: I don't mean the preferred, but the Caulfield corporation as it existed prior to being taken over?

Mr. CAULFIELD: Yes.

Mr. TUMMON: Has the financial statement for 1932 been filed in a form similar to that which has been filed by other witnesses?

Mr. CAULFIELD recalled.

By Mr. Pickel:

Q. I would just like to ask one more question, Mr. Chairman, if I might be permitted: what does it cost you to manufacture ice cream, what are your manufacturing standards and so forth; and at what price was the milk used in the manufacture of ice cream and these other things paid for?—A. We don't handle ice cream.

Q. That was one of your recommendations here, but you still persist in segregating the price of milk that is used to dilute cream to standard from the whole milk price; why is that necessary?—A. Well, I think if we didn't buy our milk at a reduced price below the street sale price we would have outside cream come in and compete against our cream market.

Q. I know, but you really agree that the milk that you use for the standardization of cream, that you receive certainly a great deal higher profit on that than you do on the milk that you sell from door to door. You have given us some information here with regard to what could be done to regulate the milk situation; do you think that the farmer is getting a living price for the production of milk? You are not a farmer?—A. No.

Q. You do not know anything about the producing end?—A. No.

Q. Perhaps you can't answer that question of your own knowledge, but what do you think—what are the rumours that you hear?—A. Well, my only information is that the producers themselves still send their milk in and offer it below the $1.45 price, and it looks as though there must be a lot of money in it from the producer's end of it.

Q. Do you not think that perhaps if we had intelligent control over the milk situation, if there was a percentage basis established as the producer's price, do you not think that that would do some good to the producer?—A. I think that is where we will have to start before we get any improvement.

Q. Do you not think if the farmer were assured of a fifty-fifty break in the price of milk that the distributors would get after the Boards of Health and the civic authorities and regulate the inflow of milk into cities in their own interest; you know you can do it, the distributors have control of the city situation?—A. Well, we would have to get a very low cost of handling milk to give the farmer fifty-fifty on the consumer's dollar.

Q. Well, he is entitled to it.

By Mr. Bouchard:

Q. There is just one point I would like to make out, if the witness will be kind enough to give us the price of cereal cream. Is this cereal cream recognized as a standardized cream? You said that it was 8 per cent, and in some cases it has been given as 10 per cent. There is a general observation I want to make here, perhaps it would help to solve the problem for both the consumer and the producer. Do you think we can decently call cream a product which has only 8 per cent fat in it. The word cream, if I understand it properly, applied originally to the cream that naturally comes up to the top of a milk pan—what is the average, of what I should call the natural cream in the average milk? You know something about the technique of this fat; what in your opinion would be the average of what we might call old fashioned cream, before separators were invented; would it be 18 or 20 per cent, or something like that?—A. You are speaking now of cream just as it comes on the top of a can.

Q. On the top of any container?—A. I would say that the cream on milk which has been standing 24 hours would test between 22 and 24 per cent.

Q. That is more than I expected. The word cream has been derived from that product, and now you take a cream which is just one-third of the natural product—if we set it at 24 per cent, I think 24 per cent is rather high, and I would be prepared to make it 22 or even 20—you take this product and you dilute it and you still call it cream. This term is very deceiving, I think we should come to some understanding about this product for both the producer and the consumer, and give a proper definition to the word cream. The word cream has been used for centuries and centuries to describe a product of not less than 20 per cent or 18 per cent butterfat, and now you come with an 8 per cent product and you still call it cream but you add the word cereal?—A. No, you are wrong, sir; we don't call anything below 10 per cent fat cream, we call it cereal cream.

Q. But you call it cream?—A. We don't call it cream.

Q. You call it cereal cream, and I think that is a very deceiving feature. Now, if the consumer knew a little more, and I hope after this investigation the consumer will be better educated along these lines—you sell this cream for how much a quart?—A. The 8 per cent that you are speaking of now?

Q. Yes.—A. The retail price of that is $26\frac{2}{3}$.

Q. And the price of 40 per cent cream?—A. 32 per cent is the highest percentage cream we sell in Toronto.

Q. 32 per cent, you have no 28?—A. No, we just have the four grades.

Q. Have you a 24?—A. Yes, 8, 16 and 24.

Q. How much do you sell the 24 for?—A. Eighty cents a quart.

Q. Don't you think that this 24 per cent cream is cheaper than the 80 cent cream?—A. We found that the 8 per cent product found its way into a good many homes that were not buying cream. It increased the demand for fat. That was the reason it was put on the market in the first place.

Q. First of all this cream—and you are not the only one—it has been demonstrated all during this investigation this cream, judging by the butterfat content, is a much more expensive cream than the cream with the higher percentage of butterfat. That is one point. That is, considering the percentage of fat on the top of the bottle?—A. Yes.

Q. The only general point I would like to make—I would like to draw to the attention of the committee this point—that an 8 per cent cream, to my mind, has no right at all to be called cream, because the word cream, as I said, originated from the cream that naturally comes up on the top of the container, and it is twice or three times as much as what you call cereal cream. You might sell any product on any name that you like, but I think that this word "cream" is a respectable word that we should preserve, and I think it would be much more satisfactory for the consumer; because I take it for granted that very few of the consumers are taking the trouble of going into the details when they buy cream. I do not mean that you have deceived them—I do not mean that at all, because you indicate the percentage; but this is not the proper word. Cream is too noble a word, too noble to be applied to this product. After all, if you take a good jersey milk, 6 per cent, it is nearly as good—very close—to your cream. There is a little difference of a little fat. But, would you call it cream? You have 3 quarts of milk and one quart of cream in it. Would you call that cream? This cream is closer to milk than it is to cream.

By Mr. Tummon:

Q. Mr. Caulfield, are you allowed to call 8 per cent cream?—A. No, sir.

Q. Have you not a term that you apply to it?—A. No. We call it cereal treat. We do not use the name "cream" at all.

By Mr. Pickel:

Q. Now, Mr. Caulfield, I would just like to elaborate on this cream business. You paid $1.28 a gallon to the farmer for 40 per cent cream?—A. Yes.

Q. Out of that one gallon of 40 per cent cream you are able to manufacture with your surplus milk 8 gallons of 8 per cent cream?—A. Those are not my figures. I did not submit them.

Q. Let us have your figures?—A. I will have to get them later. I cannot figure it out just now.

Q. File it with the clerk?—A. Yes.

Q. Now, that nets you $1.32, for which you paid $1.28 as the price of the milk.

By Mr. Spotton:

Q. Mr. Chairman, while we have Mr. Thorne here, who always is able and willing to give us detailed information—I am not kidding—I liked his evidence when he told us that it would have gone by with the other witness that there were so many shares at $25 a share. I had it looked up and I found that Mr. Thorne is right; that it is worth $92 a share. However, that is outside the mark. Now, Mr. Caulfield, you know the thought of this committee is to enquire into the spread between the producer and the consumer. Therefore, if undue profits have been made the baby has been charged too much for the bottle, or else the farmer did not get enough or both. Now, let us just get this in short form. You started in business in August 1918.

The CHAIRMAN: 1914.

The WITNESS: 1914.

Mr. SPOTTON: 1914 as Caulfield's Limited.

The CHAIRMAN: S. Caulfield & Sons Limited.

The WITNESS: S. Caulfield & Son Limited.

By Mr. Spotton:

Q. And your capital was 400 shares at $100 per share?—A. Right.

Q. And that was fully paid up?—A. Yes.

Q. There was $40,000 honest dollars put into the business at the inception?—A. Yes.

The CHAIRMAN: By the way, were there any bonds issued or anything of that kind?

Mr. SPOTTON: I think he said not. That was the entire set-up.

The WITNESS: Yes, sir.

By Mr. Spotton:

Q. Now, did you increase the stock issued at any time between then and 1929?—A. No, sir.

Q. So $40,000 was the sum total capital invested in Caulfield & Sons Limited.

The CHAIRMAN: The original investment, yes.

By Mr. Spotton:

Q. There was no further increase of issue of stock?—A. No, sir.

Q. $40,000 is the total capital?—A. Yes.

Q. $40,000 honest dollars put into the Caulfield & Sons Limited started the work. Would you give us the salaries drawn between 1914 and 1929—the major salaries?—A. At that time we were just working on a wage. My father, he was drawing approximately six or seven hundred dollars a month.

Q. That would be $8,400 a year?—A. Yes. My brother—we were getting just a wage of $40 or approximately $40 to $50 a week.

Q. And that obtained to 1929?—A. No. I do not know where we make the break. I know we were making more money. It would be a case—I could get those figures for you.

Q. Perhaps you had not time to get that, but the telegram from the clerk asked for it. I would be glad— —A. I did not get the telegram until Friday night.

Q. I would like to know what the Caulfield family drew out in wages or expense allowances. Was there any other money than this withdrawn from the business and put out in bonds, Victory Bonds or set aside—any profits taken out of the business, or was it all put back into the business to develop it?—A. Yes.

Q. No money ever was withdrawn from the business?—A. No.

Q. You kept on developing the company?—A. Yes.

Q. And no money ever was taken out of the business and set aside as an investment in anything else?—A. Not that I know of, sir.

Q. Well, you might think that over as we go along. Of course, Mr. Chairman, there is nothing else until the day that the Borden's Limited came along looking, as Mr. Thorne says, " for the green fields." That was in 1929; and Mr. Thorne will correct me—the total consideration given by Borden's Limited to Caulfield & Sons Limited was $695,000?

Mr. THORNE: Given by the Borden company of New York.

The CHAIRMAN: That was your parent company?

Mr. THORNE: The parent company.

Mr. SPOTTON: That is, this $40,000 of an investment in 1914, fifteen years later—in fifteen year's time had grown to $695,000 plus reserves, whatever they were at that time. I will not bother you to give them again.

Mr. THORNE: Not plus reserves. That $695,000 included the entire purchase price.

Mr. SPOTTON: Then the $40,000 invested in 1914 grew to $695,000 in 1929?

Mr. THORNE: That was the purchase price.

By Mr. Spotton:

Q. Now, I was not clear on this in regard to the Toronto business. I cannot understand why there would be two Caulfield companies, separate and distinct in a city like Toronto, and when you permitted this other group of financiers or promoters to use the name of Caulfield? You agreed to them using it, of course, or, otherwise, they could not have used it?—A. Yes.

Q. What was your consideration for permitting this other company to use your name?—A. We got a payment on that—

Q. This was before Mr. Thorne, your spiritual advisor, came along?—A. $26,000. That was what we got from E. W. Stronach for the goodwill of the name of this company.

Q. It is a good name, yes.

By the Chairman:

Q. Was that in cash or stock?—A. It was in cash, but it was spread over a period of time.

By Mr. Spotton:

Q. Now, in this new company—I did not catch when Dr. Pickel and Mr. Thorne were talking so confidentially—I did not catch the set-up of this North Toronto company. It was a regular joint stock company?

Mr. THORNE: An incorporated company.

The CHAIRMAN: The set-up was not given.

Mr. SPOTTON: The set-up was not given of this North Toronto company. Would you mind giving us that set-up?

Mr. THORNE: That is at the date of acquisition in 1929?

Mr. SPOTTON: Do you know when the company was organized?

Mr. THORNE: May 22, 1924. There was authorized at that time 3,000 preferred cumulative shares of $100 par value.

The CHAIRMAN: Seven per cent.

Mr. THORNE: Seven per cent. 14,155 of no par value common stock authorized.

Mr. SPOTTON: Common stock.

The CHAIRMAN: Issued?

Mr. THORNE: I have not what was issued at that time because we could not find any books, but I do know as at the date of acquisition there were outstanding 8,155 no par value common shares which were set up on their books at $122,325.

The CHAIRMAN: And the whole 3,000 preferred shares were issued?

Mr. THORNE: 2,066 preferred shares of $100 par or $206,600, making a total capitalization of $328,925.

Mr. SPOTTON: Now, I know you said you were handicapped by the records of the company, and I would judge by the name of the man that the books might not be kept—would you give us your opinion as to the number of dollars that were invested in that North Toronto dairy as you see them?

Mr. THORNE: You mean at the date of acquisition?

Mr. SPOTTON: No; when it started in 1924.

Mr. THORNE: I have not the foggiest notion.

Mr. SPOTTON: You have not the slightest notion?

Mr. THORNE: No.

By Mr. Spotton:

Q. Perhaps the witness has?—A. No, I have not.

Q. Now, Mr. Caulfield, with a great growing concern such as you have and developing as rapidly as your father and your brother and you have done in Toronto, it is none of my business but I am sorry to see clever young Canadian businessmen being gobbled up by any octopus on the other side. However, that is neither here nor there. But at that time Caulfield's had established a reputation in Toronto in the milk business, and do you mean to tell this committee that for $26,000, when you were making money hand over fist, jumping from $40,000 to $695,000 in fifteen years—do you mean to say that for $26,000 you gave a rival company your name that they could peddle milk all over the city of Toronto?—A. No, sir; we had a dividing line.

Q. You had a line I would presume. Where was the division in the city of Toronto?—A. They were in the north end east—Yonge street, the dividing line—the centre line of Yonge street.

Q. Yonge street from the city limits, or as far out as they liked to go?—A. Yes.

Q. Coming down to Yonge street how far?—A. Right down to the lake?

Q. East of Yonge street?—A. Yes, east of Yonge street.

Q. And did you compete with them in that section of the city?—A. No. We kept in our own section and we transferred the business from one to the other.

Q I beg your pardon?—A. We transferred the business from one to the other.

Q. You had a working arrangement?—A. Yes, the customer moved out of our district out into their district, we would transfer that one and vice versa.

Q. And that was the full extent of your working arrangements?—A. Yes.

Q. They had their own plant and pasteurized their own stuff?—A. Yes.

Q. Mr. Thorne, what did you say you gave for this Caulfield's of North Toronto?

Mr. THORNE: $623,942.08.

The CHAIRMAN: How many shares would that be?

Mr. SPOTTON: That added to the $695,000—

Mr. THORNE: —made a total of $1,319,462.08.

Mr. SPOTTON: That was what you paid for Caulfield's of Toronto?

Mr. THORNE: The two companies.

Mr. SPOTTON: For the stock set-up which we have and the other set-up which we have not?

Mr. THORNE: Yes.

By Mr. Spotton:

Q. Mr. Caulfield, you had no stock in this North Toronto company?—A. No, sir.

Q. And that was set-up—this is a good illustration—

The CHAIRMAN: What are you asking there—whether S. Caulfield & Sons Limited owned any stock in that company or whether the Caulfield family own any as private individuals?

Mr. SPOTTON: Did he have any stock?

The WITNESS: We had no stock in the Caulfield dairy of North Toronto.

By the Chairman:

Q. Neither the company nor the family?—A. No. I do not know if any of our family had any or not. I do not know whether there was any private business carried on.

By Mr. Spotton:

Q. You would pretty well know?—A. I have never heard of any of our family owning any stock in that company.

Mr. SPOTTON: Now, Mr. Chairman, this is a matter of the reserves—the reserves now of Caulfield & Sons Limited or whatever it is called, of $381,322.

Mr. THORNE: That was the figure that Mr. Pickel added up. Approximately it is that.

Mr. SPOTTON: And that is in reserve in real money?

Mr. THORNE: Well, I would not say that; it is invested in the business.

Mr. SPOTTON: Mr. Thorne, you promised to give me—and I suppose you have handed it in to the committee—the total reserves of all the Borden companies in Canada.

Mr. THORNE: That is part of my answer to the City Dairy questions. I presume they will be ready this afternoon.

Mr. SPOTTON: I notice that some financial surveys give it as $12,000,000.

Mr. THORNE: It is more than that.

Mr. SPOTTON: I am glad to hear it. So long as you keep it here.

Mr. PICKEL: Don't you let it go away.

Mr. SPOTTON: Now, Mr. Chairman, I think I have nothing else to ask the witness. We will have Mr. Thorne, of course, with us, I presume, on the City Dairy matter, and perhaps someone else.

By Mr. Rowe:

Q. When you set up prices for the coming year in the city of Toronto how do you arrive at the prices that you pay? Do you sit in with the other dairy companies of Toronto?—A. Yes, generally at the call of the Producers' Association why we will meet in one of the company's offices.

Q. What offices? All the companies would be practically represented?—A. No. I would not say all of them. I would say perhaps 50 per cent of them.

Q. The major companies will be represented?—A. Yes, some of them we never see.

Q. Who would represent the producers in that case? How many of the Producers' association would represent the producers on that occasion?—A. Probably five or six.

Q. How many from the dairy companies?—A. I have seen as many as 20 or 25 there.

Q. Probably 25 distributors and 5 or 6 representatives of the producers?—A. Yes, but as a rule if we call a hurried meeting there are generally about 6 distributors and perhaps 3 or 4 of the producers.

Q. In arriving at the price you are going to pay—naturally it is quite evident that you have made good profits, that is your business, the law of supply and demand governs pretty well—therefore, it is quite evident that the distributor almost sets the price he pays and sets the price he sells at. On the other hand, if you have three representatives of the producers and six representatives of the distributors what power—what do you take into consideration—do the producers present to you their capital investment, the salaries they might receive and the general set-up with depreciation and all that might be allowed similar to a company arrangement; is that taken into consideration, or is it taken into consideration merely how cheaply you as distributor can buy from the producers?—A. Well, the producers come and meet us and they get as much as they can for their milk according to the market; and we know how much it is costing us to handle this milk in our own particular cities and we have to buy milk so that we can sell it at a price that will meet competitive business.

Q. Really there are half as many producers present?—A. Very seldom these producers at these meetings have power to act. I think they take that back to their general meeting and we meet the executive again and we meet them before any price is set.

Q. You said some time ago in your evidence that peddlers, as it were, were offering milk for less than you would pay?—A. Peddlers did you say?

Q. Farmers were offering milk in the city for less than you were paying; is that correct?—A. Yes.

Q. Is that milk from inspected stables?—A. Yes.

Q. What arangement have you with the companies? Do you buy any of that milk?—A. We have not any arrangement at all. We tell the producers we are going to pay them $1.45. We do not take in any milk—I can cite one case offhand if you wish, that happened last week of a load of milk that was shut off from our company. It went to one of the other companies and offered 45 cans of milk—asked him if he would take the 45 cans of milk shut off at Caulfield's dairy, and the price was $1 a hundred, and this truck that had the milk on it was operated by the producers themselves. It was the producer's milk and the producer's truck.

By the Chairman:

Q. Do you mean that for one day or regularly?—A. That is just one day I am speaking of. It was brought to our attention.

By Mr. Rowe:

Q. Is that more or less a regular occurrence; that you have producers offering milk for less than you are paying?—A. Yes.

Q. It is quite evident that it is lack of organization among producers in the zone that is contributing milk to these distributors?—A. Right now the small dairy in Toronto can out-buy a large dairy; they can buy milk cheaper than what we can buy it—cheaper than we are buying it, and they are doing it.

Q. There is nothing binding you from buying it at less than $1.45?—A. No.

Q. You are merely kept on your honour to buy at $1.45 by a general understanding between the companies?—A. Right. There is plenty of milk in Toronto that can be bought from anywhere from 90 cents up to $1.25, and that is the milk that is giving us all our trouble.

By the Chairman:

Q. Mr. Caulfield, you outlined certain propositions for bettering conditions of buying and selling in the fluid milk market. Are they practically the same suggestions that were made by Colonel Ruttan when he was here?—A. Yes. Those suggestions were brought before a meeting of the Producers' Association some weeks ago and we all sat in at this meeting. We are all of one mind.

Q. There is a little difference in the wording; but as far as I could understand while you were reading them they were practically the same?—A. Yes.

Q. I am not exactly satisfied as to your surplus account, Mr Thorne, for this reason that the other Borden companies that have been before us—the Ottawa Dairy and the City Dairy of Toronto—have built up much larger reserves in the same time than this company. What is the reason for that? Is this company not in as prosperous condition?

Mr. THORNE: I would say they probably had some bad years; that is all.

The CHAIRMAN: The surplus taken over from S. Caulfield & Sons was $91,000 you said; you did not tell us what was taken over from the other company.

Mr. THORNE: We had not any figures on this. We just acquired the net assets.

The CHAIRMAN: You do not know what the surplus was?

Mr. THORNE: I could not tell you. I could not find any books.

By the Chairman:

Q. Mr. Caulfield, evidently from the statement this company has not been making the profits for the last four or five years that the other two concerns have; is that correct?—A. That is correct.

By Mr. Mullins:

Q. Mr. Caulfield, did you have a meeting of the producers and yourselves last Saturday?—A. Yes. No, we did not last Saturday.

Q. I met a producer last Saturday at the North End Market and he told me that you were figuring on reducing the price of milk and he felt very badly about it. I asked him what say he had in the matter and he said, "none at all." So, you evidently fix the price of the commodity to the producers without much say from them according to him. Is that a fact?—A. Probably he did not know. We just held a meeting to get some information that the producers were working on for us.

Q. Do you deliver milk in Forest Hill village?—A. Yes.

Q. Did you change your equipment?—A. Yes, rubber tires and rubber shoes on the horses.

Q. Pneumatic tires. Did you take that out of the producer or out of your own account?—A. That came out of our own account.

Q. I noticed that change in the equipment, and I wondered if the producer had to pay for it or whether you paid for it?—A. No. It was the company that paid for it.

By Mr. Pickel:

Q. Mr. Caulfield, it is understood that you will file with the chairman the spread on cream?—A. Yes.

Q. Eight, 16, 24 and 32 per cent?—A. Yes. That is per pound of fat?

Q. That is what I want to get. You pay the farmer $1.28 for a gallon of 40 per cent cream?—A. Yes.

Q. By mixing some of your surplus milk with that cream—about eight gallons or seven gallons—you make eight gallons of 8 per cent cream which you sell for $8.32. Let us know how that is made up?—A. All right, sir. It cost you between $2 and $2.50 a gallon, and you sell it for $8.32. Let us have those figures.

The CHAIRMAN: Mr. Thorne, Mr. Spotton was desirous, I think, of finding out the set-up of the City Dairy Company when it was first organized in 1900, and to trace its capital structure through to the time it was acquired by the Borden Company. Have you that information now?

Mr. THORNE: By one o'clock or by three-thirty we will have a copy of the balance sheets from 1904 onwards.

The CHAIRMAN: Mr. Spotton, I want you to listen to this, to see whether you are satisfied or not.

Mr. THORNE: By three-thirty this afternoon we will have a copy of the balance sheet by years of the City Dairy Limited from 1904 to 1921, which is the date that I gave you the other day when we started our examination. We will have a similar statement of their income, profit and loss, and capital structure, which consists of capital stock changes; but I have not any of the executive salaries, if you want those, paid in the intervening years.

Mr. SPOTTON: Well, Mr. Chairman, I think if you left this matter with the sub-committee, carrying out the spirit of the resolution, it would be better. I am not anxious to bring anybody here from Toronto at an expense, if Mr. Thorne can give the information to us himself. But when he mentions this matter of salaries and says he does not know the salaries paid during those years, then I think we shall scarcely be getting the information which I desire. For instance—I had not intended to mention this to-day,—I have in my hand fairly conclusive evidence that in the year 1927 or 1928—and these are things which I want to get correct, if they are not true the country should know they are not true—the late Mr. Northgrave got a salary from the City Dairy of $50,000 and from the Dry Milk Products, $10,000. I have not been able to trace this part down, but it is said that the salary received from the City Dairy farms was $5,000, director's allowances, City Dairy, $2,500, Dry Milk Products, $2,500. Then, he got a bonus of 500 shares of common stock. That is a fact, as I have a statement of the company for that. He got a bonus of 500 shares of common stock which were quoted on the stock market at $230 per share, which would be $115,000, making a total of $185,000 that has been given. This information was given to me by stockholders, and there was quite a dust about it at one of their meetings. This is a statement I had intended to give to-day to Mr. Thorne in private, to get the facts, and because I wish to be fair in this matter. These amounts amount to over half the profits for that particular year, that were handed to the manager. Whether those 500 shares of stock stuck with him or not, of course we do not know; but unless Mr. Thorne can give us the inner workings of this company we shall have to call before us Mr. Moore of the organization, Brown or Colonel Deacon, or A. E. Ames. These men were brokers and were handling

stock, and I should like to have some of the accounts of the stockholders who dealt in those stocks. You know, word has gone out that the City Dairy Company was originally incorporated and instituted by a band of philanthropic gentlemen in the city of Toronto who wanted to give good pure milk to the babies of Toronto. I do not want to press this matter, but I would ask the spirit of the resolution that was carried the other day be implemented by the sub-committee. I think my resolution said that we would close the investigation then. I am sorry, Mr. Thorne, that the drift has been this, that Borden's have been called, I think, too frequently. But that has been the drift You know, we started with companies in Montreal, and then someone said Ottawa, etc. As a matter of fact, Mr. Thorne, you have bought up the leading companies in the Dominion. I have no hesitation in saying that it has not been with the idea of prosecuting Borden's Limited that I asked this; neither is it because of any antipathy I have towards American capital coming into this country. This committee is not concerned with that, although we should like to see the surpluses retained here.

The Chairman: Mr. Spotton, have you any guarantee that these gentlemen you have named will be able to give that information?

Mr. Spotton: Well, they have been with the company all the way through. S. J. Moore has been on the letter-heads all the way back through the years as chairman of the Board of Directors. Mr. Ames and Colonel Deacon have been with them largely from the inception. It was suggested to me in Toronto yesterday that perhaps we should not bring Mr. Moore on account of his age. If there is some man who can give us the information, I am content; but I think that along with Mr. Thorne, we should have some one man who was with the City Dairy through all its development. That was the thought I had in mind the other day.

The Chairman: Gentlemen, we have only five minutes left. I should like to have some arrangement made towards the drafting of our report. The usual custom we have followed in cases of this kind is to have the sub-committee draft the report. If we are going to leave the drafting of the whole of the report to the whole committee of 60, I am afraid we will never get anything done. Would the committee be agreeable to have a sub-committee draft the report?

Mr. Stirling: Was it not arranged at the last meeting?

The Chairman: It was not decided. It was mentioned, but not decided.

Mr. Spotton: It was left to you to name the committee.

The Chairman: I shall do it right away. I was going to suggest the members of the sub-committee, Mr. Tummon, Mr. Loucks, Mr. Bertrand, Mr. Pickel, Mr. Cayley, and add to that the names of Mr. Bowman and Professor Bouchard. Mr. Bowman, I think, should be on that committee because he has taken an active part in adducing evidence in relation to the capital structure of those companies.

Mr. Loucks: I think you should be on the committee yourself.

The Chairman: I shall be there.

Mr. Stirling: The chairman is a member of that committee, ex officio.

The Chairman: We shall now adjourn to meet again at the call of the Chair, and this matter will be left to the sub-committee.

Committee adjourned at 12.45, to meet at the call of the Chair.

CAULFIELD'S DAIRY LIMITED

1932

—	Fluid milk (quarts)	Percentage of sales value
Sales	·1003	100·00
Cost of product	·0424	42·27
Production expense	·0076	7·58
Selling and delivery expense	·0426	42·47
Container loss	·0019	1·90
Net profit	·0051	5·08
Income tax	·0007	0·70
Total cost and net profit	·1003	100·00

TABLE No. 1

Purchase Price, Retail Selling Price and Spread

Month	Purchase price per cwt.		Price per quart		Retail price per quart		Spread per quart	
	1931	1932	1931	1932	1931	1932	1931	1932
	$	$						
January	2 20	1 85	·057	·048	·12	·11	·063	·062
February	2 20	1 45	·057	·037	·12	·10	·063	·063
March	2 20	1 45	·057	·037	·12	·10	·063	·063
April	2 20	1 45	·057	·037	·12	·10	·063	·063
May	1 85	1 45	·048	·037	·11	·10	·062	·063
June	1 85	1 45	·048	·037	·11	·10	·062	·063
July	1 85	1 45	·048	·037	·11	·10	·062	·063
August	1 85	1 45	·048	·037	·11	·10	·062	·063
September	1 85	1 45	·048	·037	·11	·10	·062	·063
October	1 85	1 45	·048	·037	·11	·10	·062	·063
November	1 85	1 45	·048	·037	·11	·10	·062	·063
December	1 85	1 45	·048	·037	·11	·10	·062	·063
Total	23 60	17 80	·612	·555	1·36	1·21	·748	·755
Average	1 96	1 48	·051	·038	·11	·10	·062	·063

NOTE.—Purchase price f.o.b. plant 3·4 milk with four cents a point up or down for premium.
Average—Totals divided by 12.
Average—Spread per quart difference between average selling and purchase price.

CAULFIELD'S DAIRY LIMITED, 45 HOWARD PARK AVENUE, TORONTO, ONTARIO

TABLE No. 2

Actual Purchase Price, Average Sales Value and Actual Spread Exclusive of Farm, Nursery and Jersey

Month	Pounds of milk purchased		Value and premium		Value per quart		Number quarts sold		Value		Value per quart		Spread per quart	
	1931	1952	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932	1931	1932
			$ cts.	$ cts.					$ cts.	$ cts.				
January	1,783,616	1,765,873	38,581 22	32,088 58	·0558	·0469	665,283	665,196	80,640 63	73,313 23	·1212	·1102	·0654	·0633
February	1,650,591	1,743,569	35,175 47	26,358 58	·0549	·0390	605,699	644,972	73,329 40	64,084 06	·1211	·0993	·0662	·0603
March	1,785,641	1,873,121	37,935 08	28,398 61	·0548	·0391	665,458	698,213	80,506 18	69,560 51	·1210	·0996	·0662	·0605
April	1,705,545	1,799,780	36,627 38	26,955 45	·0554	·0386	628,789	672,961	71,687 83	67,294 00	·1140	·0999	·0586	·0613
May	1,791,867	1,827,981	32,640 24	27,367 72	·0470	·0386	658,178	673,607	72,871 35	67,142 08	·1107	·0996	·0637	·0610
June	1,697,993	1,683,203	30,617 47	24,605 53	·0465	·0377	619,598	632,273	66,406 24	63,430 23	·1072	·1003	·0607	·0626
July	1,611,708	1,597,319	29,708 97	23,361 82	·0476	·0377	583,030	578,454	64,051 64	57,091 23	·1099	·1004	·0623	·0627
August	1,594,963	1,613,078	29,469 89	24,058 80	·0483	·0387	574,194	580,594	63,107 24	58,119 14	·1099	·1001	·0616	·0614
September	1,743,809	1,706,133	31,880 42	25,608 21	·0472	·0387	637,433	620,009¾	70,074 03	61,845 73	·1099	·0997	·0627	·0610
October	1,776,387	1,726,794	32,758 41	26,425 40	·0476	·0395	665,616	636,960	73,699 73	63,380 32	·1107	·0995	·0631	·0600
November	1,757,996	1,751,250	33,638 16	27,365 42	·0494	·0403	650,331	612,308	72,004 69	61,958 14	·1107	·1012	·0613	·0609
December	1,811,224	1,794,865	34,134 61	28,042 47	·0486	·0403	664,883	620,759	73,543 44	58,908 75	·1106	·0949	·0620	·0546
Total	20,691,340	20,872,966	403,167 32	320,636 59	·6031	·4751	7,618,492	7,636,306¾	861,922 40	766,127 42	1·3569	1·2047	·7538	·7296
Average	1,724,278	1,739,414	33,597 27	27,719 72	·0503	·0395	634,874	636,359	71,826 87	63,843 95	·1131	·1003	·0628	·0608
					Average per cwt. $1·948	Average per cwt. $1·536								

*For street sales only.

TABLE No. 2A

Spread per Quart "A" Based on Top Retail Price and Normal Purchase Price.
Spread per Quart "B" Based on Actual Price Realized and Actual Cost of Milk.

Month	"A" See Table 1		"B" See Table 2		Difference between "A" and "B"	
	1931	1932	1931	1932	1931	1932
	cents	cents	cents	cents	cents	cents
January	·063	·062	·065	·063	(·002)	(·001)
February	·063	·063	·066	·060	(·003)	·003
March	·063	·063	·066	·061	(·003)	·002
April	·063	·063	·059	·061	·004	·002
May	·062	·063	·064	·061	(·002)	·002
June	·062	·063	·061	·063	·001	·000
July	·062	·063	·062	·063	·000	·000
August	·062	·063	·062	·061	·000	·002
September	·062	·063	·063	·061	(·001	·002
October	·062	·063	·063	·060	(·001)	·003
November	·062	·063	·061	·061	·001	·002
December	·062	·063	·062	·055	·000	·008
Total	·748	·755	·754	·730	(·006)	·025
Average	·0623	·063	·0628	·061	(·0005)	·002

TABLE No. 3

Average Price Paid for All Milk (Excluding Farm)

Month	1931		1932	
	Per cwt.	Per qt.	Per cwt.	Per qt.
	$	cents	$	cents
January	2·15	·056	1·81	·047
February	2·12	·055	1·51	·039
March	2·12	·055	1·51	·039
April	2·14	·055	1·49	·038
May	1·81	·047	1·49	·038
June	1·79	·046	1·46	·038
July	1·83	·047	1·46	·038
August	1·86	·048	1·49	·038
September	1·82	·047	1·49	·038
October	1·83	·047	1·52	·039
November	1·90	·049	1·56	·040
December	1·87	·048	1·56	·040
Total	23·24	·600	18·35	·472
Average	1·9354	·04993	1·5306	·0394

100 pounds equals 38·8 quarts.

TABLE NO. 4

Pounds of Milk Purchased 1932 (Excluding Farm)

Month	For street sales	Surplus	Total	Per cent street sales	Surplus	Total
January	1,765,873	115,331	1,881,204	94	6	100
February	1,743,569	107,093	1,850,662	94	6	100
March	1,873,121	111,704	1,984,825	94	6	100
April	1,799,780	103,886	1,903,666	95	5	100
May	1,827,981	104,485	1,932,466	95	5	100
June	1,683,203	109,469	1,782,672	94	6	100
July	1,597,319	96,647	1,693,966	94	6	100
August	1,603,078	98,600	1,701,678	94	6	100
September	1,706,133	100,989	1,807,122	94	6	100
October	1,726,794	99,360	1,826,134	95	5	100
November	1,751,250	93,956	1,845,206	95	5	100
December	1,794,865	96,020	1,890,885	95	5	100
Total	20,872,966	1,237,540	22,100,486	1133	67	1,200
Average	1,739,414	103,127	1,841,707	94·5	5·5	100
		Price per cwt. \$1·425				

CAULFIELD'S DAIRY LIMITED

ANALYZED STATEMENT OF NET INCOME

For the years ending December 31, 1931 and 1932

—	Year 1931	Percentage of net sales	Year 1932	Percentage of net sales
	$ cts.		$ cts.	
Gross sales	1,303,359 31	....	1,172,112 13	
Deductions from Sales—				
Discounts and allowances	7,023 14	....	11,769 90	
Net sales	1,296,336 17	100·00	1,160,342 23	100·00
Cost of Sales—				
Cost of Product—				
Milk and milk products (inc. freight and hauling)	555,965 45	42·89	436,252 27	37·60
Purchased butter, eggs and cheese	96,781 63	7·46	93,931 02	8·09
Total cost of products	652,747 08	50·35	530,183 29	45·69
Production Expense—				
Salaries and wages	31,305 45	2·42	24,857 43	2·14
Expenses	10,606 24	0·82	9,908 40	0·85
Materials	27,579 20	2·13	27,156 31	2·34
Depreciation	8,419 11	0·65	7,577 54	0·65
Insurance	1,003 58	0·08	515 42	0·05
Taxes	1,242 05	0·09	1,291 56	0·11
Other property expense	314 36	0·02	....	
Administrative expense (Actual)	14,888 97	1·15	12,934 74	1·12
" " (Transfer)	548 30	0·04	529 22	0·05
Total production expense	95,907 26	7·40	84,770 62	7·31
Selling and Delivery Expense—				
Salaries, wages and commissions	265,833 54	20·51	250,135 53	21·55
Expense	63,566 32	4·90	92,752 31	7·99
Materials	34,441 79	2·66	19,850 77	1·71
Depreciation	24,491 38	1·89	26,442 26	2·28
Insurance	5,614 56	0·43	3,953 72	0·34
Taxes	6,072 66	0·47	7,285 96	0·63
Other property expense	3,495 26	0·27	3,887 32	0·33
Administrative expense (Actual)	14,888 97	1·15	12,934 74	1·12
" " (Transfer)	548 29	0·04	529 22	0·05
Total selling and delivery expense	418,952 77	32·32	417,771 83	36·00
Provision for bad debts	6,458 23	0·50	6,899 48	0·59
Advertising	11,928 29	0·92	10,630 84	0·92
Bottle, box and can losses (including repairs)	21,177 47	1·63	20,305 22	1·75
Total cost of sales	1,207,171 10	93·12	1,070,561 28	92·26
Net profit	89,165 07	6·88	89,780 95	7·74
Income Additions—				
Interest received (Net)	(5,315 20)	(0·41)	(2,319 03)	(0·20)
Profit or loss on materials sold	....	....	....	
Total income additions	(5,315 20)	(0·41)	(2,319 03)	(0·20)
Income Deductions—				
Dominion income	7,235 20	0·56	9,374 89	0·81
Provincial, franchise or corporation taxes	....	....	2,000 79	0·17
Expenses on idle property	(239 53)	(0·02)	941 75	0·08
Unemployment relief contributions	....	....	....	
Foreign exchange	....	....	....	
Total income deductions	6,995 67	0·54	12,317 43	1·06
Net income	76,854 20	5·93	75,144 49	6·48

CAULFIELD'S DAIRY LIMITED

Names of Articles included under Cost of Sales on Analyzed Statement of Net Income

Cost of Products

Purchased Butter, etc., butter, coffee, cheese, fruit extracts, honey, sugar, biscuits, chocolate powder.

Milk and Milk Products

Milk, cream, milk powder (including freight and hauling).

Production Expense

Salaries and Wages: Superintendent, plant, office employees, bottle washers, can washers, bottlers and canners, receivers and testers, butter-makers, engineer and fireman, laundry, pasteurizers.

Insurance

Fire Insurance.

Taxes

Property Tax, Business Tax.

Administrative (Actual)

Executive salaries, office salaries, stationery, postage, supplies, etc., telephones, travelling expense, revenue stamps, directors fees, legal fees, auditors fees, gifts and donations, mercantile agency expenses, associations, club dues and subscriptions, insurance, fire and group, workmen's compensation, automobile expenses, depreciation, furniture and fixtures, repairs to furniture and fixtures.

Expense

Washing powder, washing soda, coal, electric power, light, water, ice, group insurance, repairs to buildings, repairs to machinery and equipment. sterilizer, stationery, telephones, workmen's compensation, laundry expenses.

Materials

Ammonia, chloride, coal, overalls, bottle caps, filter cloths, strainer discs, washing powder, neck wires, hood caps, laboratory supplies, brooms, bottle washer brushes, can seals, shipping tags, boiler compound, salt, butter wrappers, butter cartons, rubber boots, shoes and aprons, cheesecloth.

Depreciation

Buildings—Steel and Concrete, 2 per cent.
Machinery and Equipment, 6 per cent.

Administrative (Transfer)

Portion allotted from Head Office as our share of General Administration.

Selling and Delivery

Salaries and wages: Branch superintendent, office employees, solicitors, senior and junior foremen, route riders, route salesmen, chauffeurs, shipping clerks, stablemen, harness cleaners, platform and yardmen, egg and butter cartoners, store clerks, janitors.

COMMISSIONS

Route salesmen's selling commission.

SELLING AND DELIVERY

Selling Expenses: Stationery, postage, telephones, telegraph, travelling expense, waste products on routes, outside stable and boarding, outside horse-shoeing, veterinary and medicine, overalls, laundry, group insurance, workmen's compensation insurance, electric light, heat, power, water, repairs to machinery and equipment, repairs to buildings, repairs to harness and wagons.

Automobile Expenses: Gasoline, oil, antifreeze, tires, licences, fire and theft insurance, liability insurance, chassis repairs, painting, mechanics wages, servicemen's wages.

MATERIALS

Salt, hay, oats, straw, bran, linseed meal, horse-shoes, horse-shoe nails, hoofnu, rubber pads, leather pads, caulks, harness and leather polish, butter cartons and wrappers, egg cartons, lanterns, drinking straws, wrapping paper, paper cups, drinking glasses, paper bags, rubber boots and shoes.

DEPRECIATION

Buildings—steel and concrete, 2 per cent per annum.
Machinery and equipment, 8 per cent per annum.
Horses, $2 per month or 14·3 per cent a year.
Wagons, 10 per cent per annum.
Harness, 10 per cent per annum.
Passenger cars, 25 per cent per annum.
Trucks, 2½ tons or less, 20 per cent per annum.
Trucks, more than 2½ tons, 12½ per cent per annum.
Trailers, 10 per cent per annum.

INSURANCE

Fire Insurance.

TAXES

Property and business taxes.

RESERVE FOR DOUBTFUL ACCOUNTS

Percentage of sales for year.

PUBLICITY

Newspaper advertising, street car and bus cards, electric signs, program advertising, playing cards, magazines, bottle collars.

ADMINISTRATIVE EXPENSE (Actual)

Executive salaries, office salaries, stationery, postage, supplies, etc., telephones, travelling expense, revenue stamps, directors fees, legal fees, auditors fees, gifts and donations, mercantile agency expenses, dues and subscriptions, associations and clubs, insurance, fire and group, workmen's compensation, automobile expenses, depreciation, furniture and fixtures, repairs to furniture and fixtures.

CONTAINER LOSSES

Bottles, boxes, cases, cans, container repairs, new lids for cans, repairing old cans.

ADMINISTRATIVE EXPENSE (Transfer)

Portion allotted from Head Office as our share of General Administration.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MAY 4, 1933

No. 26

Reference,—Milk and Milk Products

Supplementary Documents Filed by Witnesses J. H. Duplan (see No. 23) and T. H. Thorne (see Nos. 22 and 25), Minutes of Evidence.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

SUBSEQUENT EVIDENCE AS REQUESTED FROM SILVERWOOD'S DAIRIES, LIMITED, BY SPECIAL COMMITTEE AGRICULTURE AND COLONIZATION, HOUSE OF COMMONS, OTTAWA, ONT.

Re *Your Report Requisition:* (See No. 23 Minutes of Evidence.)

Q. Number of shares or value of shares held by producers?—A. Preferred, $1,868,800. Class A 36,770 shares.

Q. The capital structure of Silverwood-Burke Dairy Limited, Hamilton, Ont.—A. The first record we have any knowledge of or in our possession is a Balance Sheet and Profit and Loss Statement, dated February 29, 1928, firm known as Burke Brothers, a private business owned by T. A. Burke. (Copy of this balance sheet is herewith attached.) Charter was obtained for Silverwood-Burke Dairy Limited on March 26, 1928—authorized capital—50,000 shares preferred; 20,000 shares common. The purchase of business know as Burke Brothers, Hamilton, Ont., by Silverwood-Burke Dairy, Limited, Hamilton, Ont., was based on the balance sheet of Burke Brothers, dated February 29, 1928, as above stated. Briefly this balance sheet summarizes as follows:—

Assets:		
Current	$ 12,211 52	
Less reserve for bad debts	1,981 90	
Net		$ 10,229 62
Inventories		7,803 65
Total		$ 18,033 27
Deferred charges		$ 2,526 43
Fixed assets, land, buildings and equipment	$ 303,535 68	
Less depreciation	162,285 04	
		$ 141,250 64
Liabilities:		
Current		$80,990 57
Mortgage payable		2,000 00
Reserve for adjustment		1,393 37
Equity (or surplus), T. A. Burke		77,426 40

The purchase was set on the books of the new company (Silverwood-Burke Dairy, Limited), as follows:—

Assets:		
Current	$ 12,211 52	
Less reserve for bad debts	1,981 90	
Net		$ 10,229 62
Inventories		7,803 65
Total		$ 18,033 27
Deferred charges		$ 2,526 43
Fixed assets, land, buildings and equipment (as appraised)		$ 187,247 87

(Fixed assets in accordance with the appraisal of the Sterling Appraisal Company, Toronto, Ont., as at April 14, 1928.)

The equity in the new company as held by T. A. Burke was as follows:—

Cash and notes..	$ 45,000 00
Preferred..	75,000 00
Total..	$ 120,000 00

Plus the issue of 2,500 common shares.

As to the bond issue under date of May 1, 1928, amount $100,000, on the assets of Silverwood-Burke Dairy, Limited, this bond had no bearing whatsoever on the purchase price from Burke Brothers, it being purely new financing. Further, the figure of $87,500 shown by our record April 1, 1933, and given in our evidence, represents the outstanding of this issue at this date, April 1, 1933.

Subsequently, the transfer of shares of Silverwood-Burke Dairy, Limited, April 5, 1930, outstanding as at this date, $213,900 preferred, and 20,000 shares no par common. These were exchanged for 2,139 shares preferred and 10,000 shares no par Class A shares of Silverwood's Dairies, Limited.

Q. The portion of Class A stock issued as bonus with preference stock?—A. None.

Q. In the matter of Class A issued, 147,765 shares, value $507,245 (as per consolidated balance sheet April 2, 1932).—A. The valuation of 147,765 shares of Class A stock as it appears on the balance sheet of April 2, 1932, $507,245 is represented by the following:—

Sale of 10,000 shares underwritten at $16 per share..	$ 160,000
Sale of 15,000 shares underwritten at $21 per share..	315,000
Cash surrender value of insurance on life of A. E. Silverwood and in respect to $500,000 life insurance maintained for three years by A. E. Silverwood. This in reference to allotment of 3,625 shares in respect thereto..	31,805
Sale of 20 shares fully paid by employees and producers..	402
Balance of 119,120 shares representing the shares which were issued in exchange for common shares in subsidiary companies. All shares entering into the exchange being of no par value, these were entered in the books of the company at $1 per entry, totalling..	38
Total shares, 147,765..	$ 507,245

Q. The names and holders of one thousand shares or more?—

A. Other members of the Silverwood family: Mrs. A. E. Silverwood, E. G. Silverwood (son), Dorothy M. Lawrence (daughter), Albert Edward Lawrence (son-in-law)..	12,266	shares
(*b*) Employees and directors..	16,464	"
(*c*) Producers, Mr. E. W. Nesbitt, Woodstock..	700	"
(*d*) Shareholders other than above:		
Mr. Guy H. Long, Hamilton, Ont..	1,017	"
Estate of C. L. Messecar, Brantford, Ont..	1,066	"

(The above is all Class A stock.)

Vat reports as requested are herewith enclosed. These are self-explanatory.

(Daily Butterfat Vat Tests at Hamilton.)

Sweet cream purchases from Woodstock by our Hamilton plant, 11-month period ending February 28, 1933:—

Pounds sweet cream	19,210
Test—average	3·72
Butterfat pounds	7,142·92
Value	$2,178.59

SILVERWOOD'S DAIRIES LIMITED

J. H. DUPLAN,
General Manager.

BURKE BROTHERS, HAMILTON, ONTARIO

BALANCE SHEET—FEBRUARY 29, 1928

ASSETS

Current—			
Cash	$ 751 61		
Accounts receivable	11,459 91		
		$ 12,211 52	
Inventories—			
Raw stock	$ 2,816 64		
Merchandise	3,274 19		
Manufactured product	585 00		
Wrappers and containers	1,127 82		
		7,803 65	
			$ 20,015 17
Fixed—			
Land		$ 7,663 00	
Buildings		51,746 41	
Plant and machinery		94,544 96	
Cabinets (ice and salt)		20,013 33	
Cans		18,779 05	
Tubs and jackets		7,092 73	
Iceless cabinets		54,480 93	
Trucks and autos		35,985 71	
Horses and wagons		6,399 33	
Office furniture		1,643 30	
Sheaffe St. property		5,186 93	
			303,535 68
Deferred Charges—			
Prepaid insurance, office supplies, etc		$ 1,526 43	
Advertising		1,000 00	
			2,526 43
			$ 326,077 28

LIABILITIES

Bank of Montreal O/D	$ 4,128 28	
Bank of Montreal Loan	21,500 00	
Can. Milk Products Loan	25,900 00	
Accounts payable—Trade	20,615 59	
Bills Payable—		
Kelvinator Co. of Canada	8,846 70	
		$ 80,990 57
Mortgage—		
Sheaffe St. property		2,000 00
Operating Reserves—		
Reserve for bad debts	1,981 91	
Reserve for depreciation	162,285 04	
Reserve for sundry adjustments	1,393 37	
		165,660 31
Surplus—		
T. A. Burke		77,426 40
		$ 326,077 28

CITY DAIRY COMPANY LIMITED, TORONTO, ONTARIO

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
MAY 2, 1933

Questions answered by Col. C. M. Ruttan

Attached Sheet Number	Minutes Page	Minutes Line	Subject
1	772	34	Pounds of sweet cream purchased in 1932.
1	773	12	Selling price of 20 per cent cream in 1932.
1	775	18	Correction.
1	778	7	Number of pounds of powder obtained from 100 pounds of skim milk.

Minutes Page	Minutes Line		Pounds B.F.	Pounds Cream	Average Test
772	34	Pounds sweet cream purchased in 1932			
		Direct shippers	23,498	71,647	32·8
		Woodstock shippers	34,231	107,536	31·8
		Embro (skimming)	97,774	310,349	31·5
		Affiliated companies	1,743,047	4,531,662	38·5
			1,898,550	5,021,194	37·8

Minutes Page	Minutes Line	
773	12	Selling price of 20 per cent cream in 1932 31c. per quart. $1.24 per gallon.
775	18	They would receive this amount ·0388 less freight charges? Answer should have been: "Yes, in the case of direct shippers, but less also handling and shipping charges from receiving stations and various adjustments as previously mentioned."
778	7	With regard to number of pounds of powder you get from 100 pounds of skim milk. Answer was: "Roughly 8½ pounds. I am going to give you the exact figure." Our records show that for the month of March we obtained 7·62 pounds of skim milk powder from 100 pounds of milk.

CITY DAIRY COMPANY LIMITED, TORONTO, ONTARIO

INDEX OF INFORMATION REQUIRED BY SELECT STANDING COMMITTEE ON AGRICULTURE AND COLONIZATION
MAY 2, 1933

Questions answered by Mr. B. H. Thorne

Attached Sheet Number	Minutes		Subject
	Page	Line	
1	752	38	Capitalization in June, 1900.
1	753	13	Correction in increase of capital stock.
1	754	5	Correction.
1	755	19	Reason for difference in redeemed common shares and subsequent issue when reorganized.
1	755	35	Correction as to who holds Borden Co. stock.
1	756	24	Correction in name of Company referred to.
1	759	43	Addition of word "issued".
1	760	32	Correction in typographical error.
1 and 2c	764	12	Balance sheet of City Dairy Co., Ltd., January 1, 1930.
2A to 2F inc.	764	42	Transcript of balance sheet, income statement and capital structure by years since 1904.
3	776	33	Canadian Companies' cash, reserves and surplus as at December 31, 1932.

Minutes		
Page	Line	
752	38	Capital structure in June, 1900, was:—
		Authorized
		6,000 shares of common stock................par $100 00=$ 600,000 00
		3,500 shares of preference stock.............. " 100 00= 350,000 00
		$ 950,000 00
		Issued
		6,000 shares of common stock...............par $100 00=$ 600,000 00
		1,773 shares of preference stock.............. " 100 00= 177,300 00
		$ 777,300 00
753	13	Typographical error—amount should be 16,950.
754	5	Strike out words in line five "and that issue was redeemed".
755	19	There is no relationship of capitalization prior to and after the merger, the 80,850 shares of Borden Co. of New York common stock was issued to common shareholders of City Dairy Limited as consideration for the redemption of their shares. The new issue of 45,000 shares of common stock by City Dairy Co. Ltd. represented the actual value of the net worth of the latter and its subsidiaries, together with a measure of the value of the trade name, goodwill and prior earning capacity of the predecessor company. The old City Dairy Ltd. valued its goodwill at $1.00.
755	35	The stockholders of the old City Dairy who received common stock of The Borden Co. of New York still hold it, or it is still in circulation.
756	24	My answer of $6.25 a share referred to the no par value common stock of the old City Dairy Ltd.
759	43	Answer should have been "out of the authorized and issued capital, yes".
760	32	I stated Goodwill, etc. was written down $1,500,000.00.
764	12	The accompanying balance sheet is of the effective date of acquisition, or January 1, 1930. (See sheet 2c).

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1900	1901	1902	1903	1904	1905	1906
					$ cts.	$ cts.	$ cts.
ASSETS							
Real estate, machinery	......	......	......	......	......	......	†1,069,206 34
Delivery equipment, cabinets and furniture	......	......	......	......	......	......	......
*Reserve for depreciation	......	......	......	......	......	......	......
Net property and plant	......	......	......	......	976,504 01	1,003,945 42	†1,069,206 34
Cash	......	......	......	......	400 00	400 00	518 27
Accounts receivable less reserve	......	......	......	......	17,991 25	16,880 73	21,485 93
Inventory product. supplies	......	......	......	......	6,057 38	9,265 41	11,638 20
Marketable securities	......	......	......	......	1,929 89	......	......
Total	......	......	......	......	1,002,882 53	26,546 14	33,642 40
Investments	......	......	......	......	......	......	......
Insurance reserve	......	......	......	......	......	2,217 50	4,435 00
Prepaid charges	......	......	......	......	......	......	......
Goodwill	......	......	......	......	......	......	38,077 40
Total Assets	......	......	......	......	1,002,882 53	1,032,709 06	1,107,283 47
LIABILITIES							
Accounts payable	......	......	......	......	......	104,930 12	81,861 86
Accrued taxes and pay roll	......	......	......	......	......	......	......
Bankers' advances	......	......	......	......	......	......	......
Total Liabilities	......	......	......	......	164,821 77	104,930 12	
Deferred Liabilities	......	......	......	......	......	53,600 00	53,600 00
Dividends	......	......	......	......	......	4,679 31	5,972 94
					164,821 77	163,209 43	141,434 80
Capital stock preferred	......	......	......	......	......	271,620 00	346,350 00
common	......	......	......	......	......	565,000 00	565,000 00
Total	......	......	......	......	815,060 00	836,620 00	911,350 00
Reserve	......	......	......	......	......	7,500 00	30,000 00
Surplus	......	......	......	......	23,000 76	25,379 63	24,498 94
Total capital, reserve and surplus	......	......	......	......	837,060 76	859,499 63	965,848 94
Total Liabilities, capital and surplus	......	......	......	......	1,002,882 53	1,032,709 06	1,107,283 74

†Goodwill included with property and plant.
*Where no depreciation is shown, it is either netted in property and Plant values or included with reserves at foot of Statement.

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CITY DAIRY COMPANY LIMITED BALANCE SHEET

—	1907	1908	1909	1910	1911
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	284,617 93	289,315 17	312,221 46	454,830 72	500,502 17
*Reserve for depreciation	....	....	....	....	....
Net property and plant	284,617 93	289,315 17	312,221 46	454,830 72	500,502 17
Cash	400 00	400 00	10,926 43	400 00	400 00
Accounts receivable less reserve	15,305 34	11,102 13	13,796 40	15,848 86	34,427 52
Inventory prod—supplies	15,820 80	17,905 72	25,208 82	28,350 85	32,089 62
Marketable securities	....	....	....	....	....
Total	31,526 14	29,407 85	49,931 65	44,599 71	66,917 14
Investments	8,800 00	10,800 00	14,200 00	14,200 00	204,904 56
Insurance reserve	6,652 50	8,870 00	11,087 50	13,305 00	15,522 50
Prepaid charges	....	833 88	899 67	988 44	1,944 21
Goodwill	781,174 38	781,174 38	781,134 38	781,134 38	731,134 38
Total assets	1,112,770 95	1,120,401 28	1,169,474 66	1,309,058 25	1,520,924 96
LIABILITIES					
Accounts payable	47,457 57	51,250 68	68,656 92	104,623 61	109,209 21
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	43,477 12	34,915 25	....	50,486 40	32,754 34
Total liabilities	90,934 69	86,165 93	68,656 92	155,110 01	141,963 55
Deferred liabilities	53,600 00	54,936 00	54,936 00	54,936 00	59,958 91
Dividends	....	....	....	....	....
Total	144,534 69	141,101 93	123,592 92	210,046 01	201,922 46
Capital stock preferred	349,600 00	349,600 00	408,910 00	449,840 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	914,600 00	914,600 00	973,910 00	1,014,840 00	1,265,000 00
Reserve	20,000 00	20,000 00	20,000 00	30,000 00	20,000 00
Surplus	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50
Total capital reserve and surplus	968,236 26	979,299 35	1,045,881 74	1,099,012 24	1,319,002 50
Total liabilities, capital and surplus	1,112,770 95	1,120,401 28	1,169,474 66	1,309,058 25	1,520,924 96

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1912	1913	1914	1915	1916
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	579,470 91	684,080 70	674,003 36	719,954 25	743,571 10
*Reserve for depreciation	20,000 00	44,000 00	....	12,000 00	36,000 00
Net property and plant	559,470 91	640,080 70	674,003 36	707,954 25	707,571 10
Cash	400 00	36,521 80	36,116 69	29,201 44	7,949 96
Accounts receivable less reserve	61,439 79	83,463 32	47,272 36	72,314 07	105,869 67
Inventory prod—supplies	40,029 99	46,070 01	47,561 92	45,334 80	65,710 36
Marketable securities	....	....	....	....	....
Total	101,869 78	166,055 13	130,950 97	146,850 31	179,529 99
Investments	211,237 89	254,904 56	294,984 56	294,984 56	294,184 56
Insurance reserve	17,740 00	19,957 50	22,175 00	24,392 50	26,610 00
Prepaid charges	2,341 19	2,634 23	4,111 65	2,222 35	2,253 05
Goodwill	731,138 38	448,634 38	448,634 38	448,634 38	448,634 38
Total assets	1,623,794 15	1,532,266 50	1,574,859 92	1,625,038 35	1,658,783 08
LIABILITIES					
Accounts payable	119,424 94	123,046 96	136,250 31	140,033 19	151,954 12
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	101,502 65	....	....	35,000 00	100,000 00
Total liabilities	220,927 59	123,046 96	136,250 31	175,033 19	251,954 12
Deferred liabilities	60,027 66	59,958 79	65,918 75	65,918 63	65,981 07
Dividends	....	....	....	....	....
Total	280,955 25	183,005 75	202,169 06	240,951 82	317,935 19
Capital stock preferred	700,000 00	700,000 00	700,000 00	700,000 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Reserve	20,000 00	20,000 00	24,900 00	28,814 72	26,887 94
Surplus	57,838 90	64,260 75	82,790 86	90,271 81	48,959 95
Total capital reserve and surplus	1,342,838 90	1,349,260 75	1,372,690 86	1,384,086 53	1,340,847 89
Total liabilities, capital and surplus	1,623,794 15	1,532,266 50	1,574,859 92	1,625,038 35	1,658,783 08

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1917	1918	1919	1920	1921
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	747,800 60	885,729 35	1,045,343 33	1,039,142 07	1,138.098 36
*Reserve for depreciation	60,000 00	....	....	....	98,136 00
Net property and plant	687,800 60	885,729 35	1,045,343 33	1,039,142 07	1,039,962 36
Cash	4,046 01	735 00	1,410 00	1,450 00	42,387 47
Accounts receivable less reserve	190,115 19	88,708 73	95,364 48	162,556 89	182,623 49
Inventory prod—supplies	69,886 37	85,579 58	64,217 55	74,599 51	62,088 51
Marketable securities	....	....	....	....	....
Total	264,047 57	175,023 31	160,992 03	238,606 40	287,099 47
Investments	294,184 56	194,375 96	209,060 55	300.747 61	260,225 22
Insurance reserve	28,827 50	32,855 50	33,262 50	35,480 00	37,697 50
Prepaid charges	2,358 28	3,338 16	3,962 67	3,707 12	7,056 45
Goodwill	448,634 38	448,634 38	448,634 38	448,634 38	448,634 38
Total assets	1,725,852 89	1,739,956 66	1,901,255 46	2,066,317 58	2,080,675 38
LIABILITIES					
Accounts payable	153,572 37	223,346 80	299,635 25	323,086 31	371,573 14
Accrued taxes and pay roll	....	....	....	....	....
Bankers' advances	120,000 00	24,737 63	19,358 12	118,948 34	....
Total liabilities	273,572 37	248,084 43	318,993 37	442,034 65	371,573 14
Deferred liabilities	61,100 00	55,114 83	55,114 83	55,114 83	55,366 50
Dividends	....	12,250 00	12,250 00	35,000 00	39,087 50
Total	334,672 37	315,449 26	386,358 20	532,149 48	466,027 14
Capital tsock preferred	700,000 00	700,000 00	700,000 00	700,000 00	700,000 00
common	565,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Total	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Reserve	41,945 74	....	24,000 00	48,000 00	48,000 00
Surplus	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24
Total capital reserve and surplus	1,391,180 52	1,424,507 40	1,514,897 26	1,534,168 10	1,614,648 24
Total liabilities, capital and surplus	1,725,852 89	1,739,956 66	1,901.255 46	2,066,317 58	2,080,675 38

*Where no depreciation is shown, it is either netted in Property and Plant values or included with reserves at foot of Statement.

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1922	1923	1924	1925	1926
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	1,319,242 12	1,475,908 74	1,566,162 65	1,443,526 25	1,475,027 19
Reserve for depreciation	240,098 74	385,481 45	524,164 03	590,572 92	702,272 79
Net property and plant	1,079,143 38	1,090,427 29	1,041,998 62	852,953 33	772,754 40
Cash	28,362 84	53,232 47	74,789 18	85,682 94	137,370 97
Accounts receivable less reserve	83,144 02	91,791 16	96,501 14	88,649 86	92,266 69
Inventory prod. supplies	59,476 59	62,420 18	65,666 48	58,405 72	71,991 66
Marketable securities	203,875 28	352,958 95	504,630 13	696,253 18	792,454 37
Total	374,858 73	560,402 76	741,586 93	928,991 70	1,094,083 69
Investments	223,510 70	232,010 70	239,510 70	349,510 70	358,510 70
Insurance reserve	39,915 00	42,132 50	21,645 00	6,807 50	6,807 50
Prepaid charges	992 05	919 82	138 14	2,607 21	6,497 16
Goodwill	448,634 38	1 00	1 00	1 00	1 00
Total Assets	2,167,054 24	1,925,894 07	2,044,880 39	2,140,871 44	2,238,654 45
LIABILITIES					
Accounts payable					
Accrued taxes and payroll	330,007 52	261,024 94	354,912 19	343,477 12	279,667 89
Bankers' advances					
Total Liabilities	330,007 52	361,024 94	354,912 19	343,477 12	279,667 89
Deferred liabilities		75,594 28	54,532 61	4,413 40	4,315 35
Dividends	75,594 32	26,961 50	29,814 00	29,829 00	52,429 00
Total	26,886 25				
Capital stock Preferred		463,580 72	439,258 80	377,719 52	336,412 24
Common	432,468 09	700,000 00	700,000 00	700,000 00	700,000 00
Total	700,000 00	565,000 00	565,000 00	565,000 00	565,000 00
Reserve	565,000 00	1,265,000 00	1,265,000 00	1,265,000 00	1,265,000 00
Insurance	1,265,000 00	48,000 00	48,000 00	48,000 00	48,000 00
Surplus	48,000 00				
	421,586 15	149,313 35	292,621 59	450,151 92	589,242 21
Total capital reserve and surplus	1,734,586 15	1,462,313 35	1,605,621 59	1,763,151 92	1,902,242 21
Total liabilities capital and surplus	2,167,054 24	1,925,894 07	2,044,880 39	2,140,871 44	2,238,654 45

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CITY DAIRY COMPANY, LIMITED, BALANCE SHEET

—	1927	1928	1929	1930	1931
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
ASSETS					
Real estate, machinery, delivery equipment, cabinets and furniture	1,489,737 36	1,520,510 80	1,714,257 42	1,867,717 23	2,077,378 39
Reserve for depreciation	733,650 91	782,848 61	865,264 01	822,977 32	832,450 37
Net property and plant	756,086 45	737,662 19	848,993 41	1,044,739 91	1,244,928 02
Cash	194,430 97	136,316 39	37,612 56	40,198 62	98,551 02
Accounts receivable, less reserve	95,955 50	119,864 12	183,965 66	1,181,954 30	1,415,529 92
Inventory prod. supplies	66,879 61	93,065 84	94,234 52	50,147 38	51,827 69
Marketable securities	891,252 49	994,270 78	994,593 28	305,055 00	304,555 00
Total	1,248,518 57	1,343,517 13	1,310,406 02	1,577,355 30	1,870,463 63
Investments	458,095 20	497,925 74	572,810 70	600,000 00	....
Insurance reserve	....	13,887 50	18,446 00	....	
Prepaid charges	6,362 56	8,381 19	7,839 61	9,753 26	8,019 98
Goodwill	1 00	1 00	1 00	2,162,702 52	2,182,331 19
Total Assets	2,469,063 78	2,601,374 75	2,758,496 74	5,394,550 99	5,305,742 82
LIABILITIES					
Accounts payable	....	....	....	....	....
Accrued taxes and payroll	313,929 36	350,526 18	378,520 16	223,297 74	362,753 22
Bankers' advances	....	....	....	40,436 44	68,861 62
Total Liabilities	313,929 36	350,526 18	378,520 16	263,734 18	431,614 84
Deferred liabilities	4,224 30	....	....	100,000 00	100,000 00
Dividends	53,290 50	59,065 50	59,065 50	....	....
Total	....	....	....	....	....
Capital stock Preferred	371,444 16	409,591 68	437,585 66	363,734 18	531,614 84
Common	700,000 00	700,000 00	700,000 00	....	....
Total	577,500 00	577,500 00	577,500 00	4,500,000 00	3,900,000 00
Reserve	1,277,500 00	1,277,500 00	1,277,500 00	4,500 000 00	3,900,000 00
Insurance	48,000 00	48,000 00	48,000 00	....	....
					(161 25)
Surplus	772,119 62	866,283 07	995,411 08	530,816 81	874,289 23
Total capital reserve and surplus	2,097,619 62	2,191,783 07	2,320,911 08	5,030,816 81	4,774,127 98
Total liabilities capital and surplus	2,469,063 78	2,601,374 75	2,758,496 74	5,394,550 99	5,305,742 82

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CITY DAIRY COMPANY LIMITED, PROFIT AND LOSS

—	1900	1901	1902	1903	1904	1905	1906
				$ cts.	$ cts.	$ cts.	$ cts.
Balance Forward					4,349 52	23,000 76	25,379 63
Profit for Year					18,651 24	30,114 74	34,386 92
Proceeds sale of Common Stock Surrendered to Co							10,920 00
Income from Investments							
Depreciation Reserve Overwritten							
Total					23,000 76	53,115 50	70,686 55
Dividends—Preferred						18,046 01	20,652 61
Common							
Written from farm Investment							
War Reserve Fund							
Loss sale on Boulton property							
Depreciation						2,189 86	10,000 00
Transfer Reserve						7,500 00	12,500 00
Underwriters Commission written off							3,035 00
Can. Condensed Milk Co's Acct. written off							
Transfer reduction Organization Acct							
Balance				4,349 52	23,000 76	25,379 63	24,498 94
Total				4,349 52	23,000 76	53,115 50	70,686 55

Accumulative dividends on preferred stock prior to Jan. 1, 1905, were cancelled as of Dec. 31, 1904.

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CITY DAIRY COMPANY LIMITED
PROFIT AND LOSS

—	1907	1908	1909	1910	1911	1912	1913	1914
	$ cts.	$ cts.	$ cts	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Balance forward	24,498 94	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50	57,838 90	64,260 75
Profit for year	40,787 37	45,689 63	52,154 47	59,408 70	95,491 34	91,969 73	93,650 04	100,702 52
Proceeds sale of common stock surrendered to Co								
Income from investments					4,166 66	12,166 67	21,000 00	22,500 00
Depreciation reserve overwritten								5,752 59
Total	65,286 31	79,325 89	96,853 82	111,380 44	153,830 24	138,138 90	172,488 94	193,215 86
Dividends—Preferred	24,443 12	24,465 00	24,956 92	30,695 20	35,779 24	49,000 00	49,000 00	49,000 00
Common			11,298 00	11,300 00	11,300 00	11,300 00	35,228 19	45,175 00
Written from farm investment								6,250 00
War reserve fund								10,000 00
Loss sale on Boulton property				213 00				
Depreciation	7,206 93	6,162 15	8,627 16		18,998 50	20,000 00	24,000 00	
Transfer reserve				10,000 00				
Underwriters commission written off				5,000 00	3,750 00			
Canadian Condensed Milk Co's account written off		3,999 39						
Transfer reduction organization account					50,000 00			
Balance	33,636 26	44,699 35	51,971 74	54,172 24	34,002 50	57,838 90	64,260 75	82,790 86
Total	65,286 31	79,325 89	96,853 82	111,380 44	153,830 24	138,138 90	172,488 94	193,215 86

	1915	1916	1917	1918	1919	1920	1921	1922
	$ cts	$ cts	$ cts.	$ cts	$ cts	$ cts	$ cts	$ cts
Balance forward	82,790 86	90,271 81	48,959 95	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24
Profit for year	79,146 95	6,768 14	70,274 83	112,022 62	115,389 86	117,770 84	163,778 64	200,746 53
Proceeds sale of common stock surrendered to Co.								
Income from investments	22,500 00	11,250 00					22,201 50	24,691 38
Depreciation reserve overwritten								
Total	184,437 81	108,289 95	119,234 78	196,257 40	274,897 26	343,668 10	407,148 24	527,086 15
Dividends—Preferred	49,000 00	36,750 00		36,750 00	49,000 00	122,500 00	49,000 00	49,000 00
Common	45,166 00	22,580 00					56,500 00	56,500 00
Written from farm investment								
War reserve fund								
Loss sale on Boulton property								
Depreciation								
Transfer reserve			35,000 00					
Underwriters commission written off								
Canadian Condensed Milk Co's account written off								
Transfer reduction organization account								
Balance	90,271 81	48,959 95	84,234 78	159,507 40	225,897 26	221,168 10	301,648 24	421,586 15
Total	184,437 81	108,289 95	119,234 78	196,257 40	274,897 26	343,668 10	407,148 24	527,086 15

CITY DAIRY COMPANY LIMITED

PROFIT AND LOSS

—	1923	1924	1925	1926	1927	1928	1929	1930	1931
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Balance forward	421,586 15	149,313 35	292,621 59	450,151 92	589,242 21	772,119 62	866,283 07		530,816 81
Profit for year	225,477 06	248,456 44	204,445 50	170,533 21	234,032 15	227,258 95	263,406 27	274,021 31	263,245 65
Income from investments	56,383 52	37,205 93	69,884 83	107,957 08	89,870 26	100,704 50	99,521 74		
Gain on securities sold								25,241 50	
Proceeds life insurance								231,554 00	
Total	703,446 73	434,975 72	566,951 92	728,642 21	913,144 62	1,100,083 07	1,229,211 08	530,816 81	794,062 46
Dividends—Preferred	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00	49,000 00		
Common	56,500 00	64,975 00	67,800 00	90,400 00	92,025 00	184,800 00	184,800 00		
Loss disposal of property									21,150 91
Expense *re* idle property									(1,377 68)
Depreciation		28,379 13							
Transfer reduction organization account	448,633 38								
Balance	149,313 35	292,621 59	450,151 92	589,242 21	772,119 62	866,283 07	995,411 08	530,816 81	774,289 23
Total	703,446 73	434,975 72	566,951 92	728,642 21	913,144 62	1,100,083 07	1,229,211 08	530,816 81	794,062 46

CITY DAIRY COMPANY LIMITED

Minutes: Page 764—Line 42

CAPITAL STRUCTURE BY YEARS SINCE 1900

—	Authorized		Issued						Total Outstanding		Consideration
			Common			Preferred					
	Shares	Par	Shares	Par	Par Value	Shares	Par	Par Value	Shares	Value	
	No.	$	$ cts.	$	$ cts.	No.	$	$ cts.	No.	$ cts.	
June, 1900	3,500 Pref.	100	6,000	100	600,000 00	1,773	100	177,300 00	7,773	777,300 00	Assets acquired.
	6,000 Com.	100	....	......	....						*Cancellation of Directors' shares.
March, 1905	(350) Com.	100	(350)	100	(35,000 00)				7,423	742,300 00	Increases made in order to obtain from time to time additional working capital for the company, or for the acquisition of physical assets.
						1,727	100	172,700 00	9,150	915,000 00	
Oct., 1909	3,500 Pref.	100				3,500	100	350,000 00	12,650	1,265,000 00	
March, 1913	2,825 Com.	100	2,825	100	282,500 00				15,475	1,547,500 00	To wipe out part of Goodwill account in the Company and to obtain by the sale of Common stock to the value of $282,500 further working capital without changing in the result the issued common stock to the Company.
	(2,825) Com.	100	(2,825)	100	(282,500 00)				12,650	1,265,000 00	
Feb., 1916	3,000 Pref.	100									
	4,350 Com.	100									
	10,000 Pref.	100	5,650	100	565,000 00	7,000	100	700,000 00	12,650	1,265,000 00	
	10,000 Com.	100									

CITY DAIRY COMPANY LIMITED

Minutes: Page 776—Line 33

Subject: (Borden's Ltd.) Canadian Companies' Cash, Reserves and Surplus as at December 31, 1932

Total cash per B 20 1-6	$ 2,243,556 57
Reserve for bad debts	113,431 89
" depreciation*	5,606,752 89
" public liability	35,481 63
" fire insurance	150,804 58
" prior period income tax	12,191 27
Total	$ 5,918,662 26
Invested surplus	$ 3,259,537 94
Earned surplus	7,144,526 07
Total	$ 10,404,064 01
All total	$ 18,566,282 84

*Not subject to call for dividend purposes.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MAY 9, 1933

No. 27

Reference,—Milk and Milk Products

WITNESSES:

F. E. Brown, Director and Solicitor, City Dairy Co., Ltd.

B. H. Thorne, Regional Accountant, Borden's Ltd.

Appendix "B"—Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

MINUTES OF PROCEEDINGS

TUESDAY, May 9, 1933.

The meeting came to order at 3.30 p.m., Mr. Bowen in the absence of the chairman, presiding.

Members present: Messrs. Blair, Bowen, Carmichael, Gobeil, Hay, Loucks, Lucas, McGillis, Moore, Mullins, Myers, Pickel, Shaver, Simpson, Spotton, Swanson, Taylor, Thompson, Tummon, Wilson.

Shortly after the meeting opened an adjournment was taken at the call of the division bell; the meeting reconvened twenty minutes later.

The clerk read a letter from witness B. H. Thorne submitting a statement of fees and salaries paid the executive and directors of City Dairy Company Limited and Drimilk Company Limited from 1922 to 1933, inclusive. This statement was ordered printed on the record.

F. Erichson Brown, a former director and solicitor of City Dairy Company Limited was called, sworn, examined and retired.

B. H. Thorne a former witness on several occasions was recalled, examined and retired.

The meeting adjourned at the call of the chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

House of Commons,

April 9, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Bowen acting chairman.

The Acting Chairman: Gentlemen, Mr. Senn was called away this afternoon and asked me to preside at this meeting. Before we call the witness, the clerk has a letter he wishes to read.

(Letter read by clerk):

May 5, 1933.

The Select Standing Committee on
Agriculture and Colonization,
House of Commons,
Ottawa.

Attention Mr. M. C. Senn, Chairman.

Gentlemen:

I attach hereto a statement drawn from the records of the City Dairy Company, Limited, and the Drimilk Company, Limited, from 1922 to 1932 covering executives' salaries and fees paid to their directors.

You will notice from the attached statement that no salaries or fees were paid to any of the designated persons for the account of City Dairy Farms, Limited.

I regret that I have not been able to find the pay roll records for these companies prior to 1922 and for that reason am only able to submit data from that time on.

I believe this will conclude the additional evidence which your committee requested me to submit in connection with the foregoing companies.

B. H. Thorne,
Regional Accountant.

The Acting Chairman: We have as our witness this afternoon Mr. Erichson Brown of Toronto.

Frank Erichson Brown, called and sworn.

By the Acting Chairman:

Q. Mr. Brown, would you give your full name and your position to the committee?—A. Frank Erichson Brown, and I am a lawyer. I appear as a former director of the City Dairy Company Limited from about 1920 until 1930. I was solicitor for the City Dairy Company Limited—that is the old company before it was taken over by the Borden's Company—from sometime prior to 1920, I think about 1917, until 1930.

Q. Have you a statement, Mr. Brown?—A. Well, Mr. Chairman, I got a telegram asking for information as to the financial and stock transactions of the companies prior to the acquisition by Borden's, and I have had some opportunity of going over the proceedings of the committee, and I have tried to ascertain as well as I could what the committee wanted, and I have spent, myself,

with the documents, and with certain others a good deal of time in trying to familiarize myself with the whole matter, so I think I can answer anything prior to that time that can reasonably arise from this as shown by the proceedings. Now, the first thing that struck me was that the committee wanted some information as to the capital structure of the original company—that is prior to—I think the date that the records began was about 1921—and possibly if I touch on that first that might answer some of the questions that have come up. The company was incorporated by letters patent under the Ontario Companies Act in June of 1900 with an authorized capital of $950,000 divided into 600,000 shares of common stock and 3,500 shares of common stock carrying at 7 per cent dividend.

By Mr. Pickel:

Q. What was the capitalization again?—A. $950,000 was the original capital of the company in 1900.

By Mr. Spotton:

Q. That is the authorized capital?—A. The authorized capital.

Q. What was the paid up capital?—A. Now, the paid up capital, 600,000 of the preferred was issued at the time—of common was issued at the time the company was issued and then certain parcels of preference stock were sold or transferred for other dairies which were brought together and constituted the business as originally started by the company. The statement which I think has been filed with you shows the issued stock—the preference issued in the beginning was $177,300, and I might say that up until or by 1911 the full issue of 3,500 shares of preference had been made. That was sold from time to time with a bonus of 1 share of common with each share of preference until the total issue of 350,000 had been made. Then coming down to 1905—

Q. Pardon me, Mr. Brown. Right from the start was there a bonus of 1 share of common given to every person who purchased 1 share of preferred?—A. Yes. That is as I understand it from the prospectus.

Q. Right from the start?—A. Yes, right from the start. The prospectus was issued—I think I had better file a copy of the prospectus with the committee. I have not got a copy of the prospectus, but this is a photostatic copy taken from the Toronto Globe of June 12, 1900. If I leave that with the committee probably it will answer some of these questions. Of course, this was before my time.

In this connection, I might just read a paragraph from the prospectus, starting with the first page.

> There are at present something over 300 milk dealers in Toronto, delivering an average of about 5 cans a day each, requiring about 750 wagons for the purpose, whereas less than one-fourth the number of wagons would accomplish the delivery under a proper system.
>
> The milk, for the most part, is delivered from the cans by dipping it into various utensils in the streets. Where the bottle system is used, the bottles are filled in the rooms of stores and private homes not at all suited for the purpose, and sometimes in the wagons on the streets.
>
> The bottles are not always properly cleansed, as there are only two or three dealers in the city having sterilizing apparatus.
>
> No article of food is more susceptible to injury from its surroundings than milk, and none so quickly absorb and develops bacteria on exposure, and instead of milk being left to careless handling, of all commodities, its distribution should be attended with the greatest care.

The prospectus goes on to set out what the objective of the company was, to have a proper sterilizing plant, and so on. There was offered to the public 7 per cent preferred stock (cumulative) with a bonus.

By Mr. Spotton:

Q. In 1900 that was, and was all that stock issued?—A. This is all that has been issued—no, the preference stock had all been issued, $350,000, the common stock had not all been issued.

Q. A proportion of the common stock had been issued?—A. $565,000 out of $600,000 shares. Then in 1905—I want to explain a rather odd thing, and that is that in the capital set-up, the shares appear at $265,000, and I'd just like to digress a moment, because that may be important—in 1905 there was $35,000 of common stock that had been issued and paid for in the hands of the National Trust Company, and it was not needed for preferred stock, the preferred stock was all out, so the company applied for supplementary letters patent issued on the 21st April, 1905, and $35,000 of common stock was cancelled. That left $565,000. Now, that is important if you are going to understand how this structure is made up, because that left $565,000 of common and $350,000 of preferred outstanding.

By Mr. Tummon:

Q. Mr. Brown, just for a moment, if you don't mind me asking, I thought the original stock you said was 6,000 shares of common and 3,500 preferred.—A. That is right, that amount of $350,000 of preferred which I have referred to, and $600,000.

Q. How do you get your 600,000? How do you get 6,000 common in addition to this stock you have mentioned?—A. That is my error, I meant 6,000 shares or $600,000 capital. Now, you take off $35,000 capital from $600,000 capital and you get $565,000 capital—it was my error.

Q. It was dollars instead of shares.—A. Yes, it should have been dollars; it left $565,000 issued common stock. Well then, on the 23rd October—

Mr. Spotton: Just there Mr. Brown—you will pardon us, the solicitors of this committee are unable to be with us, and you will have every sympathy with us laymen—in the $565,000 of common stock issued, how much was given as a bonus for which no money came into the treasury, and how much was sold? —A. There is no way I can tell you that exactly, but I will try.

Q. We want to get the number of honest-to-God dollars that went into that business to work.—A. That is what I am going to give the committee in the most honest-to-God fashion I can.

Q. Yes.—A. Let me say this, it is very hard to tell from the records back that distance what the exact set-up was. I have before me a list showing the subscribers for $105,000 and I think I could give you all the information that is available if I read an extract from a copy of a by-law which was passed at that time, which shows that an agreement was made with J. F. McLaughlin which I will read:—

> Whereas under the agreement of the company with J. F. McLaughlin 1,000 shares of preference stock require to be retained with the company under the above, as in said agreement is set out, and it is in the interests of the company also to retain 727 shares for the purposes of subscription by milk dealers and others whose co-operation it is desirable for the company to obtain, and there remains therefore for issue and allotment at present only 1,773 shares of preference stock.

Now, that is a recital, then it goes on to say that they have 1,053 shares subscribed which is 950 more than they had available; and it is clear from this resolution that the whole preference issue was paid up—that is, preference.

Now, Mr. Spotton has asked for information with respect to that and all I can say is that the common stock so far as I can tell was issued along with the preference stock share for share. Now, that accounts for a good block of the common stock. The rest of the common stock was very likely issued, as far

as I can tell, for certain assets that were taken in. Now, I don't want to be quoted on that; I don't want to mislead the committee—but as near as I can tell there were a large number of units—dairies that came in at the beginning under the agreement; I imagine that they were brought in under this and then they were sold to the company in order to get shares paid up. So I think you would have the right to assume that most of the common stock was bonus stock.

By Mr. Tummon:

Q. What you mean by dairies is distributing plants?—A. Yes, small units, in order to get the goodwill; the original idea was to have them brought in, a lot of these units, so that they would get the business immediately.

Q. To establish a business connection?—A. The business connection. Now, they found out that did not work, and as I am going to show you in a minute they then decided they had to do it by education; in other words, they had to spend money, and during the first five years they were losing something like $60,000 a year until they got—as I will show in a moment—into a very bad way financially—because this plan that they had of getting business started by getting a lot of small units didn't work. Now, I can understand that—I can understand that if you are dealing with a small dealer and some other organization comes along you are very apt to prefer to continue taking your milk from the smaller dealer rather than the big organization, that is one of the vicissitudes that the company ran into at the beginning. Now, let us assume for the sake of argument—I can't give you any better information than I am giving—but assume for the sake of argument the common stock was used share for share to cover the transfer then the bulk of it was for "taken over" assets. Now then, if you do that you will find that that will account for the $565,000.

Q. That is, you are taking for granted that that is the case?—A. I am taking for granted that $350,000 of common went along with what was issued.

Q. That would be $215,000?—A. I am not saying that.

Q. That is a reasonable thing to assume?—A. I imagine that would be a reasonable thing to assume. I don't want to confuse the committee, I am telling you what my own conclusion is from what I have seen—that it was bonus, a share of common with a share of preferred; that covered $350,000 of it, then the rest of it one must assume was for assets. Now, the honourable gentleman asked me how much was for something else; I think you can assume that $350,000 was bonus stock that went along with $350,000 preferred.

Q. And the $215,000 remaining common stock were not necessarily sold for cash but went for picking up small dairies?—A. Yes, I think that would be a fair assumption.

Q. And perhaps none of that represented real money secured through the sale of stock?—A. I would not like to put it that way; I would not like to be quoted as saying it was not; I would rather put it this way, that it probably was for assets.

Q. That is, for taking over these small units?—A. Yes, I think that is it.

Q. That would leave $350,000 that is not accounted for, I notice from the Financial Post's financial service here that the original offer to the public in 1900 was $100,000 of preferred stock carrying a bonus of 1 share of common stock of $100 par value for each share of preference stock?—A. Mr. Ames apparently would have a full notation, he would have it right in his office.

Q. So we could get a statement from Mr. A. E. Ames himself?—A. Probably, I would think that, because the name of Mr. Ames' company appears on the prospectus—you might, I don't know whether you could; it might be difficult, I don't know whether his records go back to that; that would be a matter in the ordinary course of business, and the records may be there. I think you would be quite correct in assuming that the statement that you read from there in the Post of the offer of $100,000 preference stock is correct; I don't think there is any doubt about that.

Q. Well then, beginning with that $100,000, that is $100,000 that came into the treasury of City Dairy; what was the next move then to sell stock in the company?—A. Well, now, of course, there would be more than that $100,000 Mr. Spotton; that would be part of the offering to the public. I think it would be fair to assume as a fact that the preference stock carried a bonus, and that the preference stock represented the cash investment; that the common stock to the extent of $350,000 went with the $350,000 preferred. I think that would be a fair conclusion, that would be consistent with what you have said there. I think that is fair.

By Mr. Tummon:

Q. Just there, Mr. Brown, I am not just clear; that $350,000 carried with it 3,500 shares of common, did it?—A. Yes.

Q. Now, have you accounted for all?—A. No, that is the point I am not clear on, I am assuming, but I may be wrong about this; but I made the best inquiry from every person that I could and my information is that that was represented in assets which went in there.

Q. The whole thing?—A. Probably the whole thing, I would think except the $35,000—now, there was $35,000 in common stock which was not needed, and which, as I said, was cancelled; so that you had to reduce your consideration from $600,000 of common—and I am speaking about dollars—then on the 23rd of October, 1909, supplementary letters patent were taken increasing the preference stock from $350,000 preference to $700,000 preference.

By the Acting Chairman:

Q. That was in 1909?—A. Between 1909 and 1911, according to the best record I can find; and the whole of that $350,000 has been sold. In other words, you have got another $350,000 coming into the company between 1900 and the end of 1911 by the sale of preference stock. That brought the total capital structure as of that date to $565,000 common and $700,000 preference.

By Mr. Spotton:

Q. In 1911, 1,750 shares were issued in payment of this Price & Sons Limited?—A. Yes. I might turn to that for a moment; the Price & Sons' property was operated for some time by City Dairy, and then they owned it. They bought it. But I do say that I think that it would be operated as a competing unit, and in 1917—December of 1917—the company was gone. as I will show in a moment, had been in need of capital, very seriously in need of capital, after 1911 and until 1917. It was decided in 1917 and the beginning of 1918 to terminate Price & Sons as a separate unit, and it was absorbed and taken in as part of the City Dairy.

Before I come to that, there is just a matter here that I think I should mention, so that you will get the sequence, because I think it is rather important. In 1913—that is on the 18th of March, 1913—they had to get more money, and they first of all applied for letters patent increasing the common stock of the company by $282,500; that brought it up to one million—I am giving the total —$1,547,500 gross. They got supplementary letters patent increasing it by $282,500. Then on the same day they got supplementary letters patent decreasing the capital by $282,500. The reason for that was this—it looks like a strange transaction, but you will get the reason for it in a moment. There was $565,000 of common stock outstanding. They cancelled half of it so that if you, or any one of you had, we will say, two shares of that common stock, instead of having two shares you would have one. In other words, it was decreased from—if $200, you would have $100—$565,000 to $282,500. Then you were offered a pro rata on the common stock, if you would pay for it at par.

They needed money, but they did not want to increase their capital structure so that they would have to carry a larger amount on their books by way of good will or something of that sort, so this is the means devised to accomplish it. They said to their shareholders, " If you have got two shares, you surrender your two shares and we will give you one back; and we will give you another one if you will pay $100 for it," and they sold $265,500 of common stock at par in 1913.

Q. 2,825?—A. Yes, that is right, 2,825, half of the amount. 2,825 shares which brought $282,500 into the account, and they wrote off $282,000 off their good will account, so they got in $282,000 in new money; they had no difference in the amount of common stock, and their capital stock was reduced by $282,500. Then they were still in need of money, and in 1916 they got supplementary letters patent increasing the common stock by $435,000, which brought it up to one million, and the preference stock by $300,000 which brought it up to a million, so the total authorized capital about the first of February—I have not got the exact date of the supplementary letters patent, but I think is the first of February, 1916—was $2,000,000. Then they could not sell shares. Nobody would buy them. Then in 1917 they issued a bond—they made a bond issue, and that was not successful. Then finally the gentlemen concerned went to the bank and guaranteed $200,000, which they obtained from the bank as a bank loan.

Q. That is in what year?—A. That was in—I am not sure of the exact date, but I think it was about 1916 or 1917. It was right in there at that point. They were pretty strenuous days for the company, apparently. That loan was guaranteed by Messrs. Deacon, McNaught, Ames, Moore, Massey and Weston. Prior to that, on two occasions, Mr. Ames and Mr. Moore had had to guarantee substantial amounts at the bank to keep going. Then it was just about that time, as I will come to in a moment, that Mr. Northgrave became general manager of the company. So that to continue my first story, the capital stock in 1916, authorized, was $2,000,000. The issue was 700,000 preferred and 565,000 common. There was no change in the capital issue of shares until in 1927 when $12,500 par stock was made as a gift to Mr. Northgrave, which I will come to in a moment. I think that is one matter that Mr. Spotton asked something about. So that is the situation, as far as the issued capital of the company was concerned prior to its being taken over by the Borden Company.

By Mr. Tummon:

Q. There was no change, you say?—A. There was no change; there was no further issue; the only issue beyond that was the $12,500 par to Mr. Northgrave in 1927.

By Mr. Spotton:

Q. That was after it was split?—A. After it was split, yes.

Q. That is after the first split?—A. After the first split, and then I will show he received the certificate after the split was made. They were both approved at the same shareholders' meeting, as I will come to. Then in March of 1924, the 10,000 shares of common stock of $100 par value were divided into 40,000 shares of $25 each. I think you know about that. Again in October of 1927 the 40,000 of common shares of the company of $25 par value were further subdivided into 10,000 shares of no par value. I think that covers it in detail.

Q. What date did you give for that last split?—A. I think it was October, 1927. I can give you the exact date.

Q. Yes?—A. I may be wrong about it—

Q. That is right, the 21st of October.—A. At that meeting, at the meeting of shareholders—

Q. That is passed by the board of directors?—A. Yes.

Q. On the 21st of October, 1927?—A. Yes, I think that is right.

Q. That is the minutes of proceedings?—A. I think that is right. Now, that covers, I think completely the changes in the capital structure prior to the taking over by the Borden Company. Then another matter—I don't want to overlook anything, because I am quite willing—

Q. If you are leaving that, Mr. Brown, from your survey what would you take as the actual amount up to this time, the time of the change of the last financial structure which was about 1916—what would you take was the actual amount of cash, of capital, paid into the running of this company?—A. Well now—

Q. Would you take it as 700,000 preferred?—A. I have got a statement here that I think shows the situation. I think this probably will answer your question, and also be more accurate than any other way I can put it. The capital of the company, of any company, is necessarily made up of capital which is paid in and capital which is left in. In other words, if I had a business, or you had a business, and you put in a certain amount of money, and then you leave a certain amount in, there is your investment, or your capital investment, properly; you may not call it that; it is made up of your capital, your reserve and your surplus. Now, there is a statement here, of which I will give a copy to the Chairman, which shows that capital reserves and surplus, which I think is the fair way to consider that matter that you referred to there; the capital reserve and surplus in the company, that is what was there if you owned the whole company, that is what you had there in 1929, was $2,320,911.

Q. What is that amount again?—A. $2,320,911.08.

Q. What I am interested in—you will pardon me for hanging on to this point—but what I am interested in at the moment is the number of working dollars that were brought into the City Dairy, Limited, and not what they have earned after, after the million.

Mr. Pickel: The actual cash.

By Mr. Spotton:

Q. Yes, the actual cash?—A. Well, this statement shows the actual cash reserve and surplus; it starts in 1904; that is the earliest date I can give.

Q. Reserve and surplus would be earned by the company.—A. Well, possibly, yes. We will assume that. In 1904 it was $838,060.

By Mr. Pickel:

Q. That is reserve and surplus?—A. No, that is capital.

Q. Paid in?—A. Capital paid in, reserve and surplus as early as 1904. I think perhaps that is a pretty fair estimate of the actual cash, Mr. Spotton, because at that date there was an increase of capital after that date, as I have shown, because these issues were made, some of them after that date, and so on. But I think that it is fair to say that is probably the actual cash capital, because the company, prior to 1904 was in a pretty bad way. I mean, they were losing; had lost, for instance, in one year, $60,000; $5,000 a month. They almost closed up. They tried every expedient that could be tried; they did everything that the directors could do to keep it going, and there was a lot of grief before it got past 1917; so that this statement which I have compiled and which I will put in—at least which has been compiled, is a very careful statement showing the capital reserve and surplus in one column for the years from 1904 to 1929, and the net income, and from this you can see pretty well the whole picture. And in answer to Mr. Spotton, I can only say I would have to deduce from that figure and from the facts that I have given as to the history of the company, that that must have represented approximately—I will say approximately

there—very closely the actual cash invested as of that date; because there could not have been very much in the way of surplus or reserve.

Q. What is that amount?—A. That is the amount I gave you, $838,060.

By Mr. Tummon:

Q. That would be up to what year?—A. That was after the first four years had gone by. That is why I say, although it has here, reserves and surplus, I would have to assume, from what I know of the facts and the condition of the company, that there could not have been very much in the way of reserves and surplus in that, after the company had gone through what it had gone through during those years.

By Mr. Spotton:

Q. Well, Mr. Brown, I am not trying to tie things up, but we were at a point before where we agreed that it was reasonable to believe that in the year 1911, when there were $350,000 of preferred and $565,000 common issued, I think we were on common ground there, where it was said it would be reasonable to believe that the $350,000 preferred, of course, is cash, and there would be $350,000 of the $565,000 bonus, a gift, leaving $215,000, which added to the $350,000 would be $565,000. That, we would assume, would be paid in cash up to 1911; is that correct?—A. Possibly yes, you may be right about that.

Q. Then it could not be $838,000 in 1904.—A. Yes; there may be some discrepancy there. I cannot tell you that. Excuse me just a moment. Apparently between 1909 and 1911 there was another $350,000 went in.

Q. Making a total of— —A. Well, the total on this sheet is, in 1911, $1,319,002.50.

By Mr. Taylor:

Q. You said some time ago that the directors gave security to the bank in order to secure a loan, of $200,000 or $300,000.—A. $200,000.

Q. What year was that?—A. I cannot tell. I think that was about 1916, because I notice Mr. McNaught's name on the list, and my recollection is that he became president at that time. That would pretty well fix the date of the bank loan of $200,000.

By Mr. Spotton:

Q. The statement here is in 1909 the authorized preferred stock was increased to 7,000 shares?—A. Yes, I think that is correct.

Q. Preferred stock, and in November, 1909, 1,000 shares were allotted to shareholders of the company at par, which would bring in $100,000 in cash. In 1911, 750 shares were issued in payment of the business of S. Price and Sons, Limited. That, of course, was not bringing in anything— —A. Well, it would bring in an asset.

Q. In the way of cash?—A. Yes.

Q. In August, 1911, 750 shares, which would be $75,000 more, were allotted to shareholders at par, increasing the issue of preferred shares to 7,000, or $700,000.—A. I think that is probably correct.

By Mr. Tummon:

Q. Coming up to 1917, Mr. Brown, I think perhaps it might help Mr. Spotton if you could tell the committee about how much, in your opinion, actual cash had been paid into the company about that year?—A. Well, I do not know that I can tell that. You have a certain amount of assets which have gone in Price and Sons, and other dairies that were acquired, cash that had

gone in from subscribers, and I do not think I can answer that. I will try to get the information for you, but I do not think it is available. I do not think anybody knows.

Q. So that it would be impossible to say, or to ascertain in the year 1917, the actual cash that had gone into the company?—A. I think it would be without—I would get it for you if you can wait a week. I can probably get an accountant to try to find it out; but I do not know that I would get it any more accurately than you have it for your purposes.

By Mr. Pickel:

Q. What was the surplus and reserves in 1917?—A. $1,391,180.52. Well now, I was just going on with this statement. Was that satisfactory? Is there anything else you wanted to know? I shall give you any information I can.

Q. That is as near as we can get to it.—A. I think it is as accurate as it can be got.

By Mr. Spotton:

Q. I think the A. E. Ames Company, the Colonel Deacon Company together, both or either of them, were connected with all the flotations of this company from the beginning, and I presume, if the committee wishes, that they together would be able and the only people who would be able, to give us the information. We can hardly expect you to have it on hand; but the stockbrokers who issued those flotations, the A. E. Ames Company and the Deacon Company, would be able to give that accurately. Ames was connected with it right from the start.

Mr. TUMMON: It is very doubtful if they would have those records.

The WITNESS: I do not think you can get any more information than you have here that would help. You are wanting to find out, as near as you can—

By Mr. Spotton:

Q. The number of actual dollars that went into the company; because figuring the spread we are satisfied every dollar that a man has put in should bring him an equitable return, but he should not receive a return on any fictitious dollars, or anything like that.—A. Well, the information I have given you, I think answers that point.

Q. It is an estimate.—A. Yes; I think that statement gives you what you want. That is the one I am filing.

Q. It would be safe to say, to be generous, that there were perhaps $700,000 of preferred—that is sure—and there might have been 215,000 of common. It would perhaps be fair to say that there was $1,000,000 of actual cash invested in the company.—A. Well, Mr. Spotton, you have overlooked the $282,500 of common that was put in by the sale of 282,500 shares when they decreased, and then increased the stock which I mentioned. I think you are right, if you include that.

Q. Yes, if that was put along with it, it would amount to one million. —A. It would make it up to about, I would say, one million and a quarter. Now, the only comment I have, and I think it is fair—

Q. Then, we shall leave it at that: in your opinion the actual cash paid into the City Dairies to go to work along with labour and everything else, was one and a quarter million.—A. I would think that would be net actual cash paid in; but I think in fairness to yourself, in coming to that conclusion, you would have to take into account the reserves and surplus which have been left in the company from year to year by the people who own the company, that is, the shareholders. I think that is fair.

Q. No, those dollars have earned those dollars.—A. I do not want to argue with my friend on that.

Q. But that is the actual real money that went into the City Dairy to operate and do business, one and a quarter millions.—A. I think it is.

Q. Then whatever was made was left there?—A. I think that is apparently right.

Q. Caulfield's started off with a capital of $40,000 and never put in anything, and never took out anything, and whatever they developed gave them $695,000, that is all. The actual capital was $40,000, so we will assume that the actual money put in here was one and a quarter millions.—A. Yes. Now then, the only thing that I should like to say is this; I think probably in fairness to yourself and myself, you asking me the question and I answering it, if you were the investor and put in the million and a quarter, and then you left it there without any return for a number of years, and it accumulated as surplus or reserve, that would to all intents and purposes be additional capital. I think that is fair.

Q. That will come in later.

By Mr. Pickel:

Q. What was the total capital?

By Mr. Spotton:

Q. The preferred shareholders got their dividend all the way through?—A. They did not get it all the way through. There were certain—the first thing they did, I neglected to say, was at one point they surrendered their cumulative rate on their preferred. That is one of the first things they did. Then they passed certain dividends on their preferred for quite a long period, until after Mr. Northgrave's time, and while they picked up certain of those—

Q. Four blank years?—A. Yes, something like that. Now, on that basis in 1929 this statement shows the capital, reserves and surplus. Taking Mr. Spotton's estimate of one and a quarter millions in cash, the capital, reserves and surplus in 1929 amounted to $2,320,911.08. That is the statement I am filing, $2,320,911.08. So that from Mr. Spotton's analysis and this—I am assuming he is correct—there might be something different from that, but I think that is probably right.

By Mr. Pickel:

Q. On what date did Borden's take it over?—A. Sometime in 1930.

Q. What was the surplus and reserves in 1929?—A. Well, I do not know that. This statement shows that—

By Mr. Spotton:

Q. I think Mr. Thorne gave that, did not he?—A. Yes; I think that is probably on the record. I think you have it. I hope I have covered all. I should like to cover it very thoroughly because I should like to give the committee all the information I can. The next matter I was going to turn to as nearly as I can tell from the record was with respect to Mr. Northgrave—the gift to Mr. Northgrave of certain stock in 1927.

By the Acting Chairman:

Q. Mr. Northgrave took charge in what year?—A. He took charge—I will give you that. Mr. Northgrave's connection with the company commenced in 1901. In 1917 he was appointed general manager and in 1922 he was elected president of the company.

By Mr. Wilson:

Q. As general manager what salary did he get in 1917?—A. I have a list of the salaried payments here which I will file.

Q. I mean as manager?—A. The originals are all filed, Mr. Thorne tells me.

Mr. SPOTTON: No; not back to 1917. Mr. Wilson asks for 1917.

By Mr. Wilson:

Q. I do not mean when he was president. I mean when he was manager?—A. 1914 he got $4,000.

Q. 1914?—A. 1914.

By Mr. Spotton:

Q. $4,000. What about 1915?—A. $4,000. 1916, $4,166; 1917, $6,000; 1918, $14,000; 1919, $15,000; 1920, $15,000; 1921, $15,000; 1922, $25,000 in all. I am giving you the gross—$25,000. Then I think you have the record after that.

Q. 1921 was $15,000, was it?—A. Yes, $15,000.

By the Acting Chairman:

Q. That was as president of the City Dairy Company and the Dry Milk Company?—A. That is the whole amount. That is everything. I am including everything.

By Mr. Wilson:

Q. Was he president or manager or both?—A. I could not tell you that. I am giving you the salary that he got in all capacities—everything that he got no matter how it was paid.

By Mr. Spotton:

Q. You said he became president in 1922?—A. Yes, president in 1922. He succeeded Mr. McNaught who was president up until before Mr. Hargrave.

By Mr. Wilson:

Q. How long was he president of the City Dairy and Dry Milk Company and what were his salaries from 1922, where we are now, up until 1930?—A. I can give you the gross. I can give you both. Probably what you want is the gross.

Q. For both companies?—A. 1922, $25,000; 1923, $25,000; 1924, $45,000; 1925, $50,000 and so on.

Q. 1926?—A. $50,000.

Q. 1927?—A. $50,000.

Q. 1928?—A. $50,000.

Q. 1929?—A. $60,000 is what is here. 1930—that is the year he died—$25,000.

The ACTING CHAIRMAN: I might say that the witness has filed a statement here giving the total salaries.

By Mr. Spotton:

Q. Now, Mr. Brown, there has been, I think, a little misunderstanding and perhaps a little unfair criticism to about this amount of stock. I mentioned it to Mr. Thorne so it will be thoroughly looked up—the stock bonus which Mr. Northgrave got. He got a bonus of stock?—A. Yes. I was coming to that. I want to clear up everything as I go. I will try to cover everything. I will not leave anything out. Now, I want to say this—two or three things about Mr. Northgrave before I come to the question of the salary. The money that he

got as preseident, the high salary he got coincided with the prosperity of the company, and I need not tell you—I am not making political speeches—when I tell you in fairness that as a director it carried my judgment and carries my judgment to-day, when this was done. I was on the board at the time this was done and I thoroughly approved of what was done. Now, the difference between a successful company and an unsuccessful company is largely management. I know that to be a fact. You know that to be a fact. The difference between a successful farmer and one who is not successful is management.

Mr. Pickel: And capital?

The Witness: It may be capital too, but it is largely management. It is foresight, it is honesty, it is courage. It is a whole lot of things that the man has got to have before you can be a good manager and can be entitled to a salary such as Mr. Northgrave got, which is a very large salary; but in my opinion he earned every dollar of it.

By Mr. Wilson:

Q. It is very large in comparison with what the farmer got?—A. I will come to that in a minute. Now, Mr. Northgrave got this large salary. I know for a fact—and I am saying this for the record—that he had opportunities to change from this company both to the other side and this side at a salary that was practically the same. Now, he made this company what it was. I made an estimate of the amount of money, dollars and cents that was paid out during the history of the City Dairy Company for farm products and it is something over $50,000,000. Now, $50,000,000 is a lot of money to be paid to the farmers for produce, milk, hay, oats and other things. We had two hundred and some odd horses on the streets of the city of Toronto—250. They have to be fed. They are there every day. And this industry which represents, as Mr. Spotton says, a certain amount of investment—I say that it represents $50,000,000 paid to the farmers of Canada by virtue of its being a successful business, and the man that made it a successful business was W. J. Northgrave.

By the Acting Chairman:

Q. Over what period was that paid out?—A. That was paid out from the beginning. From the time the company was formed down to the end of the period of thirty odd years that the City Dairy has been operating. I made an estimate, and I think it is fair, from the figures I have got that $50,000,000 has been paid out to the farmers, directly or indirectly, for farm produce by the City Dairy Company. Now, I say—

By Mr. Pickel:

Q. You are not a producer yourself; you do not know anything about it?—A. I was very nearly being a producer, because you have to know a lot of things when you are operating a dairy business.

Q. Have you ever figured out during all this time how much the farmer has lost?—A. I am not taking that. I am just making a straight statement that $50,000,000 in cash—

Q. $50,000,000 business. That might be a $50,000,000 business and still the producer might have lost?—A. Quite true. He might have lost. I was through the milk enquiry before, and I am not sure that the farmer has ever had a square deal anywhere; but that is one of the things that we want to fix up; but in a competitive business where we have competition on one side you have a lot of problems involved, and all I am saying is that you should not get a one-sided picture. When you say Mr. Northgrave got a salary of so much and other bonuses, I say $50,000,000 in cash—I do not care whether the farmer got a loss or not—if $50,000,000 is produced in cash and paid for farm produce which is sold that is a consideration in a business being successful.

By Mr. Shaver:

Q. Have you the amount paid out in 1929—the year of the $60,000 dollar salary?—A. No, I have not for that year.

Q. The amount that was paid to the farmers for that year?—A. No.

By Mr. Pickel:

Q. Have you the amount of salaries paid out in that year to other people besides Mr. Northgrave?—A. Yes. I can give you that. Which year did you give?

Q. 1929.

By Mr. Shaver:

Q. 1929. $60,000, was the maximum salary?—A. In 1929 the president got $7,000. The vice president—

By Mr. Spotton:

Q. Mr. Northgrave was president?—A. I am wrong in that. I should say the vice president, Mr. Moore got $7,000.

Q. What vere his duties, or what portion of his time did he give—A. He was chairman of the Board and vice president, of the City Dairy Company and the Dry Milk Company.

Q. He was just called in at Board of Directors meetings, I suppose.

By Mr. Pickel:

Q. Was he technically connected with the company?—A. Mr. Moore from the very inception of this company—I am not here to speak for Mr. Moore, but you all know him; you know the position he occupies in the community—but Mr. Moore was a very valued and valuable connection in this company from the very beginning. He has always had a very active part in it, and it takes a lot of things to make a company a success.

Q. He got something out of it?—A. Oh, yes.

Q. For his active part?—A. Nobody got overpaid. I am quite satisfied of that.

By Mr. Wilson:

Q. Directors fees and executives salaries for the year 1929, as I have figured it out from the sheet you have filed, were $79,600?—A. I would not call that directors' fees.

Q. It is the way you head it "directors' fees and executives' salaries"?—A. I do not want to adopt the caption. It is not fair to say "directors' fees."

Q. That includes Mr. Northgrave's salary of $60,000?—A. Yes, it includes the executive officer, Mr. Northgrave, who is the general manager and the working head of the organization. Now, to call him a director is one thing. We all might be directors, but the man who is the general manager of the company is in a different position. So I want—

Q. He got $60,000 and Mr. Moore got $7,000, Mr. Ames as a director got $18,000?—A. He was on the executive committee.

Q. Colonel Deacon got $18,000?—A. The executive committee in 1929 included Mr. Ames and Colonel Deacon, and they got $1,500 as members of the executive committee.

By Mr. Tummon:

Q. In 1922, when Mr. Northgrave became president you gave the salaries for each year from that time forward until 1930, I think it was; can

you give the net returns to the company for those years?—A. I think it is filed. I can give you the net income. The net income of the company—which year was that, 1922?

Q. Start with 1922.—A. 1922 the net income of the company was $225,437. I am filing a statement here showing the net income for each year, 1904 to 1929, so that you will have that.

Mr. WILSON: Salaries.

Mr. SPOTTON: Net income.

The WITNESS: Yes. Net income.

Mr. TUMMON: Just read it.

The WITNESS: 1922 the net income was $225,000; 1923, $281,000; 1924, $257,000; 1925, $274,000; 1926, $278,000; 1927, $323,000; 1928, $327,000; 1929, $262,000.

By Mr. Wilson:

Q. Have you the turnover of the companies in those years?—A. That is the net income.

Q. I know that. I wanted the turnover of the companies?—A. It would be several—I do not know how many millions.

Q. You referred to the fact of this $50,000,000 being spent with the farmers. I would like to see the turnover to see if it was justified to pay out $79,600 for the year 1929 to the directors?—A. Well, I would say this—

By Mr. Spotton:

Q. Mr. Thorne has submitted this?—A. Well, I think that is another—

Q. Would you give us a statement of the transaction?—A. I just want to say one other thing about Mr. Northgrave. Mr. Northgrave's life was insured for $350,000 payable to the company and upon his death the company got $350,000. The premium on $100,000 was paid by the Dry Milk Company and the premium on $250,000 was paid by the City Dairy Company.

Q. What do you mean, was that insurance taken out during these five years?—A. My recollection is it was two or three years before he died.

Q. Your recollection is that it was two or three years before he died?—A. Yes.

By Mr. Pickel:

Q. What is the amount of those premiums?—A. I can't tell you that.

By the Acting Chairman:

Q. They would be very high, would they not?—A. They were payable to the company as protection in case he died, and he did die, and he died as the result of his work for the City Dairy Company, that is my opinion.

By Mr. Spotton:

Q. Mr. Brown, is that correct; I can understand the City Dairy during these hard years—I know they had hard years until about 1916—I can understand the City Dairy then insuring the life of Mr. Northgrave, but insuring his life a few years before he died when the City Dairy had trouble finding a place to put their profits is a different matter?—A. No, that was not the reason this was done.

Q. It is up to the directors to give us the reason?—A. I will give you the reason: it was the judgment of the board that Mr. Northgrave was an exceptional man, there was no doubt about that—the fact that this company prospered as it did during his period when he created this successful organization during the time that he had charge of it, he gave his life to it and he worked

without ceasing as far as business was concerned, and I am satisfied that it was loyalty to the Dairy Company and the shareholders of that company that cost him his life. Now the directors, as a matter of good judgment—they might or might not be able to find the man to take his place if anything happened to him—as a matter of good judgment they insured his life. It was a thing that any fair-sighted or far-sighted business man would do where they have got the money of their shareholders in trust; and we took $350,000 for the reason we knew that if he didn't die we would cash in on it by the work he would do for the company.

Q. Did you insure any of the others?—A. No, we did not, Mr. Northgrave was the key executive man of that company. Anyway the information that I have got—I don't know what this is.

Q. It is probably Mr. Thorne's statement?—A. Now, I don't know—that was treated—I don't know who obtained the $50,000, or the amount—I don't know anything about that.

Q. Perhaps Mr. Thorne would be able to tell us?—A. I do know that the amount of the policies on Mr. Northgrave's life were $250,000 for the City Dairy and $100,000 for the Dry Milk Company, making a total of $350,000, which I understand was paid.

Q. Mr. Thorne would be able to give us the premiums.

Mr. Thorne: I don't know that, Mr. Spotton.

The Witness: That would be before Mr. Thorne's time. I can get that for the committee if you want, I can get the premium that was paid by the company for this particular insurance.

By Mr. Spotton:

Q. Could you estimate what the premiums would amount to?—A. I don't know, I don't remember whether it was a twenty-pay life or an endownment or what it was; I don't know that but I will be glad to file that with the committee. Now, I think the other matter that you wanted some information on was the matter of Mr. Northgrave's stock.

Q. Yes, will you give us the information about Mr. Northgrave's stock? —A. Yes, that is what I was going to come at.

Q. Just deal with the little block first?—A. At the annual meeting at the beginning of 1927 Mr. Northgrave had been 25 years with the company, and at the meeting at the beginning of 1927 one of the shareholders brought up the matter that something should be done, and in an especially generous way, for Mr. Northgrave in view of the fact that he had been with the company for 25 years. Now, I want to say this, that the shareholders in City Dairy were most enthusiastic about Mr. Northgrave at all times. There wasn't a shadow of doubt about that. They appreciated what he had done, and a lot of them were original shareholders who had taken preferred stock and common stock at the beginning. It was pretty largely held and held in small lots, and they were very loyal to him.

Q. You are speaking of the shareholders' meeting?—A. I am speaking of the shareholders' meeting. They made good profits, they had made good money—there is no doubt about that; it was a very successful enterprise from the shareholders' standpoint, and when they said they wanted to do this, it was a thing that they really wanted to do. Well, the question then came up how it should be done—that was in February 1927.

Q. Now, Mr. Brown, did you say that the shareholders really wanted to do this, or that the directors told them to do it in the calling of their annual meeting?—A. I would say it was the shareholders.

Q. The calling of the annual meeting says "and for the purpose"—that is dated Toronto, October 22?—A. Which is that?

Q. The main business before the meeting—this is one of the notices calling the meeting—was: " and for the purpose of approving and affirming a resolution passed by the directors on the 10th day of June, 1927, voting to Mr. W. F. Northgrave, general manager, 500 fully paid common shares of a par value of $12,500 in appreciation of and as further remuneration for his 25 years' services with the company, and for the transaction of any other business." Now, the directors passed this resolution on the 10th day of June and on the 22nd day of October they issued this, their annual meeting for November 15— so it really entered the minds of the directors first?—A. No, that is the point; I agree with what you said, except this; the matter first came up at an annual meeting of the shareholders in February, 1927.

Q. You mean the year previous?—A. The annual meeting was in January or February—I don't remember which, but I think it was February—and at that meeting one of the shareholders brought this up, and the question of making Mr. Northgrave some suitable and substantial acknowledgment of what he had done, and it was left in their hands to consider; that was in February at that meeting—not the directors, but the shareholders.

Q. It was following the meeting previous?—A. It was at the annual meeting previous, and it was left to the directors; and that is how the notice came to be in the call for the annual meeting to which you refer. The reason is this, as I mentioned before, that the capital structure of the City Dairies Company had issued $700,000 preferred stock, and $565,000 common stock, and that except for the further issue of 12,500 common stock—it remained that way right through—you may have the date there.

Q. It remained there until Borden's took it over?—A. Until 1930, that is correct; the only change made in the capital account—that is in the issued stock account—was when 12,500 of stock was given to Mr. Northgrave as a result of this action. That was conceived by the shareholders' meeting, and passed on to the directors, acted on by the directors in June, and finally submitted to a meeting of the shareholders—the notice at the time you mentioned there—October. I haven't got the date, at any rate it was approved specifically by the shareholders, and was carried out on November 18, 1927, when a certificate for 500 shares of $25 stock at a par of $12,500, was delivered to Mr. Northgrave. He exchanged that certificate for a certificate for 2,000 shares, January 3, 1928.

Q. Of non par?—A. Of non par.

Q. Would it be in 1927 or 1928 that they were split four ways again?—A. I would say that was—

By Mr. Pickel:

Q. Let us see what the idea was; we really don't understand it very well—what was the idea of the splits, they confuse us?—A. They sometimes confuse a lawyer.

Q. Now, this company has been split——A. One of the reasons that it was split is this: there is a certain feeling amongst companies to-day—I know that nearly every company that is serving the public, if they are offering their stock on the market and it is selling for $230—

By Mr. Spotton:

Q. As it was here.—A. The every day man can't buy it. Now, if four men come along and buy four shares that are selling for $230, the average man can't buy it—I couldn't buy it unless it was pretty well down.

Q. Then it is just a case of it being out of reach?—A. It is not only that, but very likely, or practically, it is this: if you have a share of stock in an excellent situation it may get so high that it is no longer a good buy, and when

you have people getting the idea that they can make money out of the milk business, you want to have the stock at a price that people will want to buy. You want to get people interested in your business.

Q. Yes. So it won't look as though the company are making too much money.—A. No, not necessarily that, I would not say that that is the proper conclusion at all. You get your company where its shares are at $150, which is reasonable—or $120, and another firm decide to buy that in—you have got nothing to do with it—and they may run it up pretty high. Let us say that Mr. Spotton here has the company, and I am going to get the stock of this company when it is on the market and put it up—you know the way stock is put up—and you don't want to see your stock put up like that so you split it up—that is what happened the City Dairy.

Q. We will have to study this for ourselves.—A, That is the reason, that is what happened.

Q. Now, just to close this matter, Mr. Northgrave got 500 shares of a par value of $25 which a few months later was split four ways, which made it 2,000 shares of no par value?—A. That is right.

Q. Then about two years later, when the Borden Company took it over—they gave eight shares, was it—of common stock in the City Dairy for 7 in Borden's?—A. It was 7 for 8.

Q. Seven of Borden's for 8 common of the City Dairy; and I think Mr. Thorne told us the other day that the day Borden's took over the City Dairy, Borden's stock was worth $80; that would mean that these 500 shares which you gave Mr. Northgrave in 1927—not 1928, he really got them before 1928—he died in June, 1930, that is a year and a hafl after—it would net his estate, this bonus or present would net his estate $140.000?—A. That is quite correct, except for one thing; and that is, that he sold the stock at an average cost of $50 in February.

Q. I know this has been put up to you in another way which I don't think was correct.—A. No, it was sold, he sold his stock.

Q. And that is correct, this bonus that was given?—A. No, wait a minute; it is not correct.

Q. Was worth $140,000 if they sold it?—A. If he had held his stock until his death, you may be correct; but as a matter of fact, his stock was sold at an average price of about $50.

Q. Now, I wish to know whether my statement is correct or not, that at the date of Mr. Northgrave's death this present of $500 which was given in that year—

The ACTING CHAIRMAN: Shares.

By Mr. Spotton:

Q. Shares, 500 shares, were worth $140,000?—A. It turned out they might have been, if he had kept them. On the other hand, they might have gone down to two or three dollars a share.

Q. No, it is not what might have happened?—A. I know.

Q. You are going to deal this time with what just did happen.—A. Yes.

Q. It is not necessary for me to get exact dates; but Mr. Northgrave received 500 shares of common stock which, a few months later, was split four ways and made $2,000 of common stock—

The ACTING CHAIRMAN: Shares.

By Mr. Spotton:

Q. 2,000 shares of common stock of no par value; and then a year and a half or so after that, that 2,000 shares was transformed into the Borden stock? —A. The man that held—

Q. Which being sold, were worth $140,000 in value the day that Borden's took over the City Dairy?—A. Yes, the man that held those shares, whoever it was; the people that held those shares would get it.

Q. That was his estate?—A. No, not his estate. I beg your pardon. I want to get this correct. He sold his stock in February of 1928 at an average price of $50 a share, and whoever made the difference between $50 and $80 a share was not Mr. Northgrave, but was some person else who went out and bought the shares on the market and sold them to Borden's. That is the fact.

Q. Of course, I am sorry they were sold.—A. I am sorry too, he was sorry afterwards.

Q. Because they had a suspicion around Toronto at the time, and I would rather have known that the block was held rather than sold.—A. He sold.

Q. That sale was after they were presented to him, as a matter of fact.—A. That is not a fair insinuation.

Q. It is not an insinuation, it is a statement.—A. I know, but Mr. Northgrave sold the shares in February, and he got an average price of $50 per share.

Q. Yes, but my point stands, whether he did that or not; my point stands that the 500 shares that were presented to him, were a year and a half later when the transfer took place, worth $140,000?—A. Yes, that may be.

By Mr. Shaver:

Q. Mr. Brown, can you give us some explanation about this, the good will of the company shown on the balance sheet; it seems to fluctuate. In 1907, when the company must have been smaller, and doing a smaller amount of business, the good will is put in as $781,000 and some odd; carried along until 1911, it was down to $731,000, in round figures.—A. $282,000 was taken off when they made that deal.

Q. In 1913 it drops to $448,634.38?—A. If you take that $282,000 off that first amount of $700,000, you will get the amount which you have just read, I think.

Q. I want to carry it through a little further. It is carried through at that amount of $448,634.38 from 1913 until 1922; but in 1923 it is reduced to one dollar?—A. That is right.

Q. And carried at one dollar from 1923 until 1929; in 1930 it jumps up to $2,162,702.52?—A. I can't tell you anything about the jump. I can tell you about the decrease. The amount of good will which you have mentioned in the early period was reduced from time to time, which is good business in accounting; and then the $282,500 which was written off when the stock, as I told you, the common stock—if you had $2, you got one dollar of stock—that $282,000 was taken out of good will account, which cut it down to $400,000 odd. You can get it. I think you will find it was exactly $282,000 between that amount, getting down to $400,000 odd; and that is carried, I think, at approximately the same amount until 1922 or 1923.

Q. Until 1923 it drops?—A. Yes, when we decided we would write off the good will account.

Q. But the point I noticed first was the increase in 1930; then I checked back to see what it had been at periods before that time, jumping from one dollar to over two million dollars?—A. I assume that would be—

Mr. Spotton: What is a million in the dairy business?

The Witness: I think, Mr. Chairman and gentlemen—I don't know whether I have missed anything or not, but I have tried to answer everything I could.

Mr. Spotton: I think perhaps the committee will understand.

By Mr. Shaver:

Q. Will you let me have an explanation for that, why it should be?—A. I think that perhaps is in the record now, in connection with the Borden's.

Mr. SPOTTON: Mr. Brown is not now solicitor for the company, and consequently not as interested.

The WITNESS: I don't know anything about that; that is after my time.

By Mr. Spotton:

Q. You were solicitor?—A. Prior to that time; yes. I don't know anything about this increase.

By Mr. Senn:

Q. Mr. Brown, you told Mr. Spotton, I think, when he was questioning you, that the initiative for the transfer of this stock to Mr. Northgrave in that year—I don't know the year—A. In 1927.

Q. —came from the shareholders?—A. At the annual meeting, yes.

Q. At the annual meeting?—A. Yes.

Q. Can you say whether by private shareholders or some of the shareholder directors?—A. Well, it came up in this way, that Mr. Northgrave had been before the shareholders for years, and I don't remember now, I can't tell you—

Q. You would not say that, after all, the initiative did not come from some director?—A. I know it came from a shareholder—I know it came from a shareholders' meeting, and it was approved spontaneously by the shareholders' meeting; I know that.

Q. You left the impression on the committee formerly that the initiative really came from private shareholders, didn't you?—A. No, I didn't say that. I am not sure. It was brought up but I can't tell you—

Q. That is really the inference that I think may fairly be drawn from your statement. Now, in regard to this stock and the amount it was worth, how soon after the stock was transferred to Mr. Northgrave was it sold? Can you tell me that?—A. I can give you the exact date. He got his certificate, the first certificate, on November 18, 1927.

Q. And it was sold, I think you said, in February of 1928?—A. I can give you the dates—it was sold on the Toronto Stock Exchange, 340 shares on January 10; 550 shares on January 10; 205 on January 11; 25 on January 12; 25 on January 31; 25, 50, 20 and 50 on February 1; 60 and 5 on February 2; 25 on February 3; and 660 on February 13. The last sale was $47\frac{7}{8}$; the average about $50.

Q. Those numbers were sold, I suppose, at the prices they brought on the stock market for that stock?—A. Just the regular prices. The high for that year on that stock was $86\frac{1}{2}$ in December.

Q. You could not say whether the purchasers were already shareholders of the company or directors of the company?—A. I am sure they were not directors.

Q. You are sure they were not directors?—A. Yes, I am sure they were not directors; but there was a pool being formed by two companies in Toronto about that time, two brokerage houses that were not connected with the company at all, and they were acquiring considerable of the stock.

Q. Possibly trying to acquire a controlling interest?—A. They were; they were doing that; and we got an offer at one time from another firm of solicitors, before the Borden Company made their offer, of I think 170 for the common. I can get the exact amount. Excuse me just a minute, it is hard to find; I have got so much material here that I went through to get this. There was a price offered of $125 for the preference; the preferred was $100 stock, and there was no chance of the preference going for any more, except as an investment.

Q. Seven per cent?—A. It was unfortunate, but it was a fact, and it was not redeemable. We were offered $125 per share for the preference and $170 for the common.

Q. What date was this?—A. That was October 14, 1927. We got a letter, and Mr. Moore considered it, put it to the shareholders and advised them not to accept it. They thought it was not high enough. But at that time there were two brokerage houses that were accumulating shares, and I have no doubt that Mr. Northgrave's shares went into that accumulation, because they put the market up; it was a great concern to the directors if it was going up; they put the market up to 83½ in December of 1927—86½.

Q. I think there is one thing that should be cleared up, because after all, it is rather a reflection on the shareholders or on the bankers, if it should be true; I have had this suggested to me, that the proceeds for the sale of those shares may have been divided among the directors?—A. Absolutely not—absolutely not.

Q. All right; that is what I wanted to find out.

By Mr. Pickel:

Q. Mr. Brown, what did Borden's pay for the company, what equivalent in cash?—A. I can't tell you that. It was an exchange of shares.

Q. I understand; but how many outstanding shares had you?—A. We had outstanding—

Q. For transfer, you gave eight for seven?—A. Yes. You can figure it out. We had 700,000 of preferred which remained the same. There was no change in that. That is 7,000 preference shares.

By Mr. Spotton:

Q. 7,000 preferred?—A. 7,000 preference.

Q. 80,850 common?—A. 92,400 common, because you have got to add in, I suppose, that 12,000 of Mr. Northgrave's.

Q. That is right.—A. 92,400.

Q. That changes to Borden's?—A. I beg your pardon?

Q. I think my figure took the Borden's?—A. Yes, 92,400.

By Mr. Pickel:

Q. What was this $2,000,000 goodwill figured in at the time Borden's took the stock over?—A. That is a matter for Mr. Thorne, that he will have to answer. I can't tell you that. I would assume it would simply mean they revalued their assets, as a matter of book set-up.

Q. That was calculated in the assets?—A. It might be they just revalued it, whatever they thought. That might be put higher, or might be put lower. It would not signify whether they were worth it or not. At least, I think that is it. I don't know. Is that everything, Mr. Spotton?

Mr. Spotton: We will give you a rest for a minute, Mr. Brown. Before we conclude, I would like to ask Mr. Thorne some questions.

B. H. Thorne, recalled.

By Mr. Spotton:

Q. Mr. Thorne and I had a little misunderstand just as the committee was rising the other day. I guess I hadn't made myself clear when I had stated I was referring to the financial structure, and I was just giving from memory the figures; the record reads:

> Mr. Thorne: Might I correct Mr. Spotton's statements in which he referred to this fund of $6,000,000 as apparently growing from the capitalization of $1,900,000 of the City Dairy Company Limited. That item refers to revenue or funds beside the City Dairy Company.
>
> Mr. Spotton: What is that?

> Mr. Thorne: When you spoke of the $6,000,000 odd you said that it came from this capital of $1,900,000. The figure you gave includes revenues from other companies beside the City Dairy.
>
> Mr. Spotton: Those are the figures Mr. Bowman gave me as he was going out, of the financial structure as he gathered the data; so, at another sitting you and Mr. Bowman can have that out."

The Acting Chairman: What page are you reading from, Mr. Spotton?

Mr. Spotton: The last page, that would be page 778.

By Mr. Spotton:

Q. Now, what I was trying to show then, Mr. Thorne, just from memory, was where you and Mr. Bowman left off; after going through the capital structure; Mr. Bowman said:

> In other words the capital structure of the company from 1921 had increased from $1,265,000 to about $4,500,000.

A. That covered the numbers, or that covered the issued shares after the date of acquisition, the issued shares of City Dairy.

Q. You and he agreed on that; you said yes?—A. Yes.

Q. I was from memory just trying to recall those figures, and I made a mistake in both. What I had in mind was, what a good benevolent people the Borden's are. They paid their way when they came to this country. They paid well. We are not objecting to American capital, as a committee, but they did not take over any sick companies; they took over healthy ones. Now then, following that up, assuming you and Mr. Bowman are correct, $1,265,000. This is what the City Dairy received from Borden's, as I take it on the date you sold out, $7,413,000, that is what the City Dairy was paid, a company which had a capital structure of $1,265,000 in 1921. So I think I might just refer to that as a great financial leap from 1921 to 1930. I think my figures are right, 7,000 shares which were redeemed at $135 each; that was right?—A. Yes.

Q. $945,000; 92,400 common shares which were transformed into 80,850 shares of Borden's?—A. That is right.

Q. Which were worth $80?—A. At the market price, yes.

Q. That was the market value on that date, which would be $6,468,000?—A. That is right.

Q. Then the total which Borden's gave the City Dairy the day they bought it, if they went down town and sold their stock, was $7,413,000?—A. Yes, they gave the shareholders that.

Q. Let me repeat. The 7,000 preferred were paid for and redeemed by $135; that is right?—A. That is right.

Q. And the 92,400 shares of common stock in the City Dairy was paid for by Borden stock which was worth on the market that day, $6,468,000, making a total of real value delivered to the City Dairy the date the contract was closed, of $7,413,000?—A. That is right.

By Mr. Pickel:

Q. Mr. Thorne, the last time you were here with Mr. Caulfield, Mr. Caulfield was to file with the Clerk the cost of the different percentages of cream, and the price at which they were sold.—A. Yes, 8, 16, 24 and 32 per cent.

Q. What is that?—A. The different percentages of cream marketed by this company.

Q. Yes. I notice that they have filed only one, 8, or 10.—A. 8, 16, 24, and 32.

Q. I should like the cost of those per gallon to the company, and the price sold to the public filed with the Clerk.—A. Per gallon?

Q. Per gallon.

By Mr. Spotton:

Q. Did you leave with the Clerk the total reserves of all your companies in Canada?—A. Quite awhile ago, yes.

Q. Would you mind telling us the amount?—A. It was eighteen million something, I have forgotten the fraction.

By Mr. Senn:

Q. Mr. Thorne, most of your subsidiaries buy their sweet cream outside and do not separate surplus milk; is not that correct?—A. Some do, and some do not, Mr. Senn. I would not like to quote all of it.

Q. Prices have been quoted from time to time as the price per pound of butterfat at which your cream was purchased. When you are furnishing those figures of Dr. Pickel's, could you give us the price per pound of butterfat at which your cream was disposed of?—A. Yes, we can work that out.

By Mr. Pickel:

Q. In the Caulfield Dairy, they bought 40 per cent cream at $1.28 a gallon?—A. Yes, that was a rough estimate.

Q. Will you just file those with the committee?

By Mr. Spotton:

Q. There is one thing I should like to know, Mr. Thorne, as I know you like work, but your work is nearly over for this year. I think Mr. Caulfield promised me that he would give us the salaries that the Caulfield family drew. He said they worked for a mere wage, his father $700 or $800 a month and that the boy received $35 or $40 a week, and only stayed a week. I should like to have the salaries they received for the last ten years or so. I should like to know the salaries of the Caulfield family as Mr. Caulfield promised.—A. I did not gather that impression, reading the minutes. I did not gather that was a question to be submitted later on, reading the minutes.

Q. Well, it is not necessary to recall him, is it?—A. I believe he answered that; he did not know positively.

Q. I understood he was going to try to get it. If it is not so stated in the minutes, I should appreciate it very much if you would be kind enough to give it to us. If he does not want to do it, why, you can leave the impression that it gives throughout the country.

The ACTING CHAIRMAN: If there are no other questions, I shall now adjourn the meeting.

Mr. PICKEL: I have a letter in my room, but unfortunately I did not bring it with me, from a Mr. Fletcher, one of the witnesses we have heard from the producers' point of view. It contains two or three statements by different farmers as regards the cost of the production of milk. That is all there is in it, and I should like to have it read into the record, if the committee will permit it. It contains just three statements from three different farmers in connection with the cost of the production of milk.

The ACTING CHAIRMAN: You will hand it to the Clerk.

Mr. PICKEL: I will hand it to the Clerk.

The committee adjourned at 5.40 p.m. to meet again at the call of the Chair.

DIRECTORS' FEES—EXECUTIVE SALARIES—CITY DAIRY COMPANY, LTD., AND THE DRIMILK COMPANY, LTD.

—	—	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922
Messrs.		$	$	$	$	$	$	$	$	$	$	$
S. J. Moore........	City Dairy, Chairman of the Board.	220 00	160 00	5,416 62	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	5,000 00	500 00
	Drimilk Co.			833 34	2,000 00	2,000 00	1,000 00					
A. E. Ames.......	City Dairy, Director	160 00	120 00	1,625 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	100 00
	Drimilk Co. Executive Board.			125 00	300 00	300 00	150 00					
E. G. Baker.......	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	300 00	
	Drimilk Co............			83 34	200 00	200 00	100 00					
D. Massey........	City Dairy, Director...	....	....	400 00	400 00	400 00						
	Drimilk Co............			83 33	200 00							
T. A. Russell......	City Dairy, Director...	....	....	400 00								
	Drimilk Co.			83 33								
J. N. Shenstone...	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	400 00	100 00
	Drimilk Co.			83 33	200 00	200 00	100 00					
Erichson Brown...	City Dairy, Director...	....	....	400 00	400 00	400 00	400 00	400 00	400 00	400 00	400 00	100 00
	Drimilk Co.			83 33	200 00	200 00	100 00					
Col. F. H. Deacon	City Dairy, Director	....	....	1,225 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	1,500 00	100 00
	Drimilk Co. Executive Board.			125 00	300 00	300 00	150 00					
M. Bredin.........	City Dairy, Director...	....	....	....	200 00	400 00	400 00	400 00	400 00	100 00		
	Drimilk Co.				100 00	200 00	100 00					
J. G. Kent........	City Dairy, Director...	....	....	....	....	....	....	400 00	400 00	400 00	400 00	100 00
Geo. Weston......	City Dairy Co., Director.	....	....	....	....	....	....	....	....	100 00	400 00	100 00
C. B. McNaught..	City Dairy, President..	....	....	....	....	....	....	....	....	....	....	5,916 62
C. M. Ruttan......	City Dairy, President..	9,450 00	10,500 00	7,625 00	1,600 00							
	Drimilk Co.	6,750 00	7,500 00	,7900 00								
J. Findley........	City Dairy, Secretary..	4,230 00	4,700 00	4,700 00	4,700 00	3,825 00	4,250 00	2,700 00	2,700 00	2,700 00	2,700 00	2,750 00
J. H. Allemang....	City Dairy, Asst.	2,700 00	3,000 00	3,898 33								
	Drimilk Co. Treas.	2,700 00	3,000 00	2,201 67								
W. J. Northgrave.	City Dairy, President..			20,000 00	45,000 00	40,000 00	40,000 00	40,000 00	20,000 00	20,000 00	20,000 00	20,000 00
	Drimilk Co.			5,000 00	15,000 00	10,000 00	10,000 00	10,000 00	30,000 00	25,000 00	5,000 00	5,000 00

NOTE.—There were no additional salaries or fees drawn by above named on account of City Dairy Farms.

CITY DAIRY COMPANY, LTD.

INVESTED CAPITAL AND NET INCOME

Year	Capital Reserves Surplus	Net Income
	$ cts.	$ cts.
1904	838,060 76	18,651 24
1905	869,499 63	27,924 88
1906	965,848 94	32,271 92
1907	968,236 26	33,580 44
1908	979,299 35	35,528 09
1909	1,045,881 74	43,527 31
1910	1,099,012 24	54,408 70
1911	1,319,002 50	76,909 50
1912	1,342,838 90	84,136 40
1913	1,349,260 75	90,650 04
1914	1,372,690 86	128,955 11
1915	1,384,086 53	101,646 95
1916	1,340,847 89	18,018 14
1917	1,391,180 52	70,274 83
1918	1,424,507 40	112,022 62
1919	1,514,897 26	115,389 86
1920	1,534,168 10	117,770 84
1921	1,614,648 24	185,980 14
1922	1,734,586 15	225,437 91
1923	1,462,313 35	281,860 58
1924	1,605,621 59	257,283 24
1925	1,763,151 92	274,330 33
1926	1,902,242 21	278,490 29
1927	2,097,619 62	323,902 41
1928	2,191,783 07	327,963 45
1929	2,320,911 08	362,928 01
Total	37,432,196 86	3,679,843 23
Average per year	1,439,699 88	141,532 43
Average per cent Net Income to Investment	....	9·83068

COST OF PRODUCING MILK BY W. H. LOWES, CANNINGTON, ONT.

Cost to Produce 100 Pounds of Milk

In our experience with cows, we find that for depreciation in the herd we have to supply one new cow per five, every year. Now we figure that cow in the feed. That is, in a ten cow herd, we would be feeding 12 cows and 1 bull, making 13 in all. The loss of the 1 cow per five would be in the depreciation and equipment column.

THIRTEEN COW HERD

12 pound chop per day at $11 per ton	$1 33
30 " ensilage at $3	0 56
10 " hay at $8	0 52
10 " cut oat sheaf at $8	0 52
1 man full time	0 75
Board	0 75
Depreciation and equipment	0 50
	$4 93

Four dollars and ninety-three per day for 31 days, $152.83.
Pounds of milk for 31 days, 6,840.
Cost per 100 pounds milk, $2.23.

COST OF PRODUCING MILK BY M. RUTHERFORD, COLBORNE, ONTARIO

To produce 400 pounds milk per day (5 cans shipper).
Takes 20 head of cattle, cows, young cattle, etc.

Farm to grow feed for above, value..	$7,000
Equipment, stock, implements, etc..	3,000
	$10,000

Labour—farmer and younger man 17 or 18.

Interest charge on $10,000 at six per cent..	$600
Hired help, including board..	400
Farmer, work alone..	600
Insurance and taxes per annum..	205
Repairs to farm fences and buildings per annum.. ..	150

Operating costs per year, $1,955; operating costs per day, $5.75.

400 pounds daily—cost on farm per cwt..	$1 34
Cost of hauling—35 cents per cwt..	$ 35
Cost delivered in city..	$1 69

Surplus milk and calves pay for depreciation in herd.

COST OF PRODUCING MILK WITH A HERD OF TWENTY-FIVE COWS

From C. C. Haviland, Wilsonville

Twenty-five cows at $60 each, $1,500; one bull at $50, $50; stable for same, $2,500; Interest at 5 per cent, $275.

Cost of feed 15 pounds meal per cow for year at 1 cent per pound..	$1,368 75
Cost of feeding bull 30 pounds hay per day at $6 per ton..	32 85
25 cows feed 20 pounds hay per day at $6 per ton...	346 00
25 cows feed 30 pounds silage per day at $3.50 per ton..	476 00
Straw—200 pounds per day at $4 per ton..	146 00
Salt and mineral feed..	40 00
Veterinary fees..	50 00
Insurance on cattle and stable..	30 00
Electricity for pumping water and grinding, light..	80 00
Forks, shovels, pails and milk utensils $20, 50 per cent depreciation..	10 00
"Fly Knocker" for 4 months in summer..	8 00
Labour 2 men full time at $1 per day..	730 00
Board of men at $5 per week..	520 00
	$4,037 60

Receipts:

Twenty-five cows producing 7,000 pounds per year—175,000 pounds costing $4,037.60 or $2.30 per hundred pounds at the farm.

Present prices $1.45 at dairy—average haulage 25 cents per hundred—$1.20 for 175,000 pounds milk—$2,100 or a net loss of $1,937.60 for the year.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MAY 12, 1933

No. 28

Reference,—Milk and Milk Products

Final Report

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

[illegible]

[illegible]

[illegible]

MINUTES OF PROCEDURE

House of Commons,

Friday, May 12, 1933.

The meeting came to order at 11.30 a.m., Mr. Senn in the Chair.

Members present: Messrs. Bertrand, Bowman, Bouchard, Bowen, Boyes, Carmichael, Fafard, Gobeil, Loucks, Lucas, McGillis, Moore, Myers, Pickel, Rowe, Sauve, Senn, Simpson, Spotton, Stirling, Taylor, Tummon, Weese, Wilson.

The Chairman presented the draft report of the subcommittee appointed and empowered to prepare same.

The draft was read at length and then considered clause by clause.

Each clause of the draft having been separately adopted (some with amendments), the same was then adopted as the report of the committee and the Chairman instructed to present it to the House forthwith.

The meeting adjourned.

A. A. FRASER,
Clerk of the Committee.

FINAL REPORT

May 12, 1933.

Your Committee has had under consideration an Order of Reference dated February 23, 1933, namely:—

"*Ordered*,—That the Select Standing Committee on Agriculture and Colonization be instructed to ascertain the facts connected with the production, collection, manufacture, distribution and marketing of milk and milk products, throughout the Dominion of Canada, with power to examine and inquire into all aspects of the said questions and report their findings to the House."

The witnesses called and examined were representative of the primary milk producers and the distributors. Officers of the Department of Agriculture addressed several meetings and gave valuable information.

Your Committee also studied, with interest and advantage, the Grigg Commission Report of Great Britain, the report of the Quebec Provincial Dairy Commission of 1932 and the report of Dr. Bond of Cornell University to the said Commission. The health and sanitary milk by-laws and regulations of the several cities investigated were examined and reviewed.

The evidence and this report have been widely distributed to interested parties throughout Canada, including librarians, provincial governments and universities as well as the producer and distributor organizations. It is felt that this distribution of facts, findings and recommendations will tend to a truer understanding of the situation and assist to a considerable extent, those concerned, in formulating policies and remedies.

The Committee has held thirty meetings and taken the evidence of forty witnesses comprising one thousand pages in printed form. A copy of the evidence is tabled herewith for the information of the House. A study of the evidence adduced discloses that,—

During recent years total milk production in Canada has increased and during the same years there has been a tremendous increase in milk consumed as such, the latter increase being due to increasing per capita consumption coupled with an increasing population. The result has been that the demand for milk for domestic consumption has increased much more rapidly than the increase in production. Between 1925 and 1930, total milk production increased by about 18 per cent but during the same period the quantity of milk required for domestic consumption increased by about 85 per cent. The relatively greater increase in the milk for domestic consumption as compared with milk production has necessitated a withdrawal of milk from other outlets in order to supply the increased demand for domestic consumption. This is illustrated by the following statement which shows the percentages of the total milk production used for different purposes in 1925 and 1930:—

	1925	1930
For—	%	%
Cheese..	15·82	9·10
Creamery and Dairy Butter..	50·31	44·76
Condensed, Evaporated, Dried Milk, etc..	1·50	1·35
Ice Cream..	0·74	1·03
Consumed as Milk and Cream..	27·11	42·65
Other purposes..	4·52	1·11

It will be observed from the foregoing tabulation that the percentage of total milk production used for domestic consumption is 15½ per cent greater in the latter than in the former year while with the exception of ice cream, lesser percentages of the total milk production are devoted to the purposes of the manufacture of dairy products. It will also be observed that the greatest reduction in the percentage of total milk production entering into the manufacture of any one dairy product has been with respect to cheese, which viewed from a standpoint of total milk production utilized for this purpose might appear at first thought to be of minor importance. Since, however, cheese is, from a standpoint of the export trade, the most important of the different dairy products, it is an important factor in determining prices of milk for other purposes, and is therefore of much greater importance than indicated by the percentage of the total milk production which enters into its manufacture.

Owing to the magnitude, diversity and dominion wide scope of the dairy industry, your committee decided to commence its inquiry by a study of the production and distribution of fluid milk and cream.

The rapid increase in urban population, combined with the public demand for a pure and healthy supply has resulted:—

(*a*) In an increased cost of production; (*b*) a complicated and expensive system of collection, processing and distribution.

Cost of Production

The main factors in estimating the cost of production of milk are:—

(*a*) Cost of feeds and labour.
(*b*) Replacement of herds.
(*c*) Necessity for a regular and constant daily and seasonal supply.
(*d*) Transportation costs.
(*e*) Requirements of provincial and municipal laws and regulations in regard to cleanliness, sanitation and health.
(*f*) Depreciation of buildings and equipment.
(*g*) Interest on capital investment.
(*h*) Insurance.

Returns to Producers

These costs are not reflected, as they should be, in the returns to the primary producer but the price paid the producer of fluid milk is arbitrarily fixed and controlled by the distributors, having regard, to some extent to the prevailing prices of butter and cheese and the surplus supply; it being generally agreed by all witnesses that the farmer-producer is not receiving an adequate return for his labour and investment.

Store Sales

The comparatively recent advent of stores, and particularly chain stores, into the retail milk business was brought to the attention of the Committee. Price cutting by featuring milk as a leader has resulted in upsets in the industry, coupled with extremely low returns to the producer. The featuring of milk as a leader should be discontinued.

Producers' Associations

Producers' Associations have been formed in many districts, for such purposes as collective bargaining, and controlling surplus.

The unenforceable agreements between distributors and producers presently used, respecting prices and supply, should be replaced by contracts enforceable at law.

Your committee recommends that tribunals should be set up vested with authority to settle differences between producers' and distributors' organizations and, if necessary, to fix the returns to the producers and the prices charged the consumer.

Producers Co-operative

The result of co-operative organization by the producers was evidenced by witnesses representing the Fraser Valley Milk Producers' Association, the northern section of the Alberta Pool and the Saskatoon Dairy Pool.

These co-operative efforts have met with considerable success, with resultant substantial benefits to the producer members of their associations.

Your Committee finds that the measure of success of co-operative efforts is dependent upon local conditions.

It is worthy of note that the Saskatoon Dairy Pool succeeded in reducing the spread and at the same time gave to the producer 46 per cent of the consumer's dollar.

Distribution Costs

The main factors determining the cost of distribution are:—

(*a*) Pasteurization and provincial and municipal sanitary and health regulations.
(*b*) Duplication of services.
(*c*) Special services.
(*d*) Labour costs.
(*e*) Bottle losses.
(*f*) Bad debts.
(*g*) Depreciation of distributors' plant and equipment.
(*h*) Fluctuating demand.
(*i*) Dividend requirements.

Pasteurization and Other Regulations

Pasteurization of the milk supply is compulsory in some cities, and has been adopted because of the consumers' demand in nearly all. Pasteurization costs, and the cost items above enumerated, though not definitely determined by the inquiry undoubtedly add considerable to the cost spread.

Provincial and municipal laws and regulations have been enacted, designed to ensure the purity of the milk supply and to fix standards of quality. Such regulation and control cannot be too highly commended but the committee is of the opinion that greater uniformity of such laws and regulations is desirable.

Duplication of Services

The overlapping of delivery and collecting routes by numbers of distributors in the same area is a serious factor affecting the price to the consumer and the returns to the producer. The committee is of opinion that such overlapping should as far as possible, be eliminated.

Bottle Losses

Substantial sums of money are spent annually in bottle replacements. The evidence discloses a wide variation in the percentage of losses charged by the different distributing companies for this purpose.

Bad Debts and Special Services

The consumer who receives special service and is accorded credit should pay the cost and loss resulting therefrom; whereas the evidence shows such costs and losses are charged to the consumer at large.

Surplus Milk Problem

Producers are paid a price called an association price for a percentage of milk delivered, and a much lower price for the balance which is designated as surplus milk, and generally paid for at the prevailing butter fat price.

The basis upon which the percentage of surplus milk is calculated is not clearly defined and in many cases is arbitrarily fixed. As a result much dissatisfaction prevails among producers over the percentage paid for as surplus milk.

Producers' associations have endeavoured to control the surplus but with indifferent success.

Producers and distributors are agreed that control of the fluid milk supply would have a beneficial stabilizing effect.

The present system of paying on a surplus basis for a certain percentage of milk consigned by the individual producer, a percentage determined exclusively by the distributor is inequitable. Milk bought for other purposes than fluid distribution should be purchased under separate contract.

Sweet Cream

This is an important item in the industry and one of the most profitable for the distributor. The volume of milk required for the production of such cream is exceeded only by that used in fluid milk sales. The greater number of the distributors purchase their supply direct from the producers at a price slightly above the prevailing price for churning cream.

The evidence disclosed that in some cases surplus milk is separated and the cream sold in the sweet cream trade while the by-products—such as skim-milk—instead of remaining on the farm where it might be profitably fed to stock is dumped in the sewer, while in some cases, surplus milk is added for the purpose of reducing the fat content of cream to the desired grade.

The Distributor

Your Committee, owing to the magnitude of its task and the brief time at its disposal, did not have as full an opportunity as might be desired to investigate the financial growth, capital structure, profit and loss accounts, and other like details of the distributing companies.

The evidence presented clearly indicates that while the returns from most industries have during the past two or three years, materially decreased, such cannot be said of those interested in the distribution and sale of whole milk. The salaries and returns to executive and operating officials and shareholders of the distributing companies have, in a large measure been maintained at the 1927, 1928 and 1929 level although business and industry generally have, since 1929, declined very markedly, and milk prices to the producer have been reduced to an extremely low level.

We desire to draw attention to a few of the more outstanding facts as disclosed by the evidence in respect to capitalization, depreciation charges, etc., of those engaged in the sale and distribution of whole milk products.

1. *Capitalization.*—Over a period of years there is a marked growth in the capitalization of those companies which have been engaged in the business for any considerable length of time. While much of this increased capital was added in the ordinary way, because of increased business, it is very apparent that over-capitalization exists. Some of the ways in which this has been brought about are:—

(*a*) By purchasing or absorbing, by merger or consolidation of other companies in the same line of business. These changes of ownership very frequently took place at an enhanced valuation which generally involved an increased stock issue by the purchasing or parent company.

(*b*) Goodwill.—Very substantial values were in many cases placed upon goodwill. For such goodwill the purchasing or parent company as a general rule issued common stock. No par value stock was used for this purpose in the majority of cases. This stock while nominally of no value, gradually appreciated in value as time went on, became dividend bearing and a charge upon the industry.

(*c*) By " splitting " shares,—The too-common practice of splitting or dividing shares seems to have been indulged in by many of the companies at one time or another during their history.

2. *Depreciation.*—There is a very marked difference in the method of calculating depreciation on buildings, machinery and equipment. The Committee is of the opinion that depreciation reserves set up by many of the distributing companies, were calculated on an unwarrantedly high basis, and that frequently depreciation reserves cover hidden profits.

3. *Bad Debts.*—To a lesser extent the remarks in the preceding paragraph might well apply to reserves for bad debts.

4. *Salaries.*—The Committee are of the opinion that salaries paid to some of the higher officials of the various distributing companies are at this time, entirely too high and wholly unjustifiable.

5. *Profits and Dividends.*—Those engaged in the sale and distribution of whole milk products have during these very difficult times, in a substantial way at least, been able, unlike most other industries, to maintain their profits at the same level as in more prosperous times. It is true that in certain cases dividends have been reduced and in some cases discontinued. In the most of such companies however, substantial reserves continue to be set aside annually as in previous years. The Committee is of the opinion that dividends might very well have been declared by some companies in which producer-shareholders are interested. The failure to pay dividends in such cases has undoubtedly had the effect of reducing the value of the stock in the public mind and possibly cause dissatisfied producer-shareholders to sell or dispose of their stock at less than actual value.

6. *Merger, Purchase or Absorption of other Companies or Interests.*—The evidence presented to the Committee clearly indicates that the sale and distribution of whole milk products is gradually getting into the hands of fewer and larger companies. Economies to the companies interested may have resulted, but there is no evidence of any benefits accruing from such mergers to either the producer or the consumer. In many cases there is evidence that mergers have removed competition and the general effect is undoubtedly to give the distributors a more definite control of the situation.

Producer's Share of the Consumer's Dollar

The matter of a just share of the consumer's dollar as it relates to the distributor and the producer, is important to the conduct of the milk business. That each should receive a just share as a remuneration for his efforts is recognized, having due regard to the consumer's interest.

Our investigation has thrown considerable light upon this problem, in as much as it shows conclusively that the producer's share has decreased very substantially during recent years.

Such evidence as was directed to the point leads your Committee to the conclusion that the producer is not receiving an equitable share of the money paid for milk by the consumer.

The milk distribution business is made possible by the industry and investment of the primary producer and it is the opinion of the Committee that the primary producer is entitled, at least to a much greater share in the ultimate proceeds of the sale of this product.

Other Milk Products

. Milk not required for fluid consumption is manufactured into many different products of great commercial value. These represent in the aggregate nearly 60 per cent of the total. It is apparent, therefore, that your Committee has investigated only a very limited part of the subject referred to it.

The prosperity of the milk industry is co-related with and dependent upon the successful production and sale of butter, cheese, evaporated and powdered milk, casein, skim-milk-powder, etc.

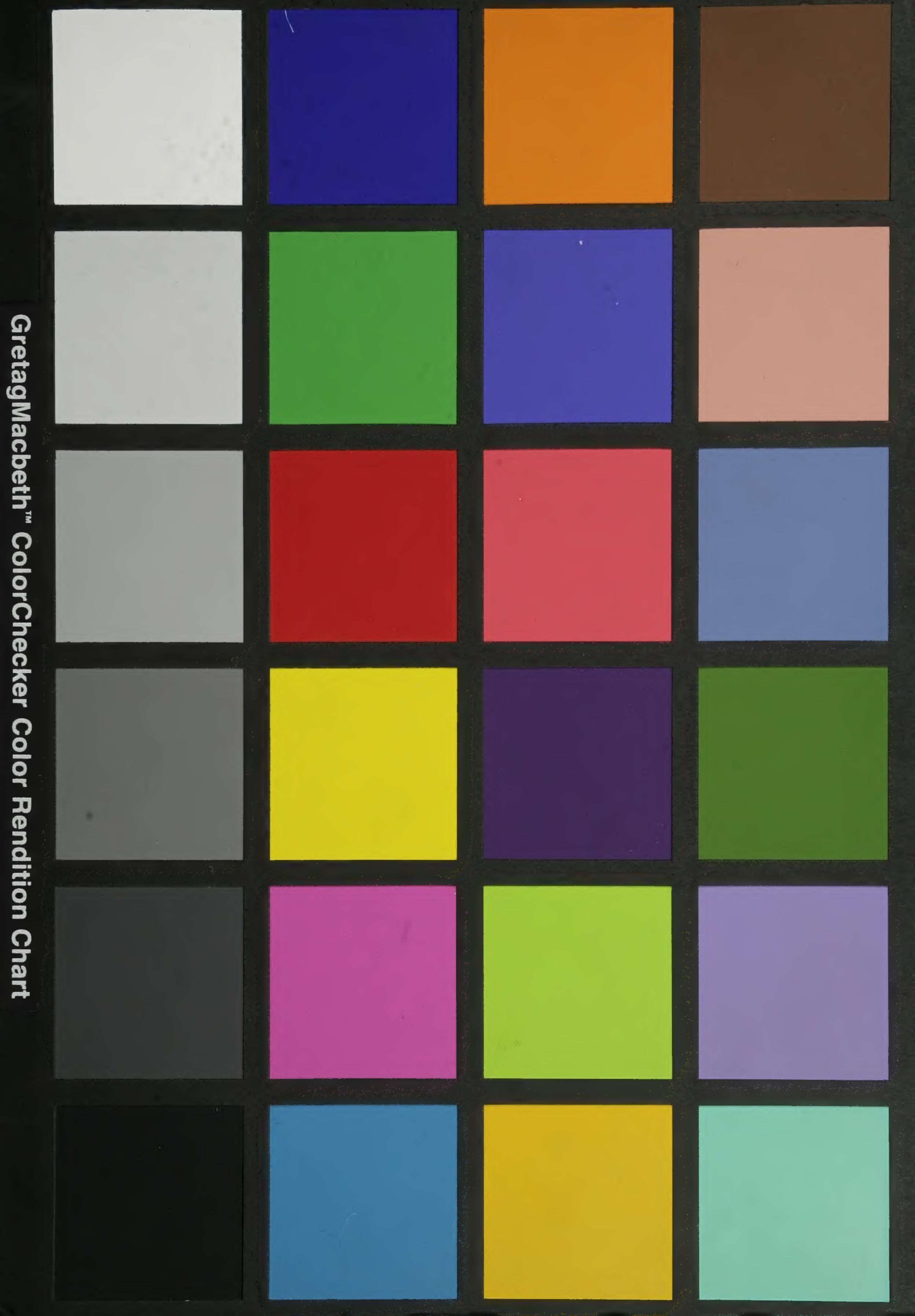
Your Committee is convinced that a thorough investigation into the production, manufacture and sale of these commodities should be undertaken.

Your Committee, in view of the foregoing findings, conclusions and recommendations further recommends:—

That steps be taken to inquire into the manner in which our production of milk should be manufactured and marketed; to explore the different markets available at home and abroad; to investigate the possibility of new markets, and to study the methods of collection, handling and storage.

The Committee being confined by its Order of Reference to ascertaining the facts connected with the milk industry and to report the same to the House, now respectfully submits the evidence taken and its findings and conclusions therefrom.

(For Minutes of Proceedings, etc., accompanying said Report, see Appendix to the Journals, No. 1)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